

FGU Panel – Sustainability: Opportunity or Death Spiral?

Skit

Cast – Publix Store Manager Constance (Connie) Core Values
Bureau Chief, State of Florida Office of Nutrition - William (Billy) Bureaucrat
Publix Executive Vice President of Healthy Living – Patrick Correct (Politically Correct)

Scene 1

There are two contrasting messages in the opening scene. 1) The state bureaucrat is driven by what he believes is in the best interest of the people and government regulation, at any cost, is therefore appropriate and desired. 2) The store manager is old school. She has been a store manager for over 30 years and is one of Publix's best disciples of the core values that have made Publix so successful. Fresh foods, clean stores and excellent customer service are what it is all about. She understands that these core values are what have made Publix so profitable and she does not want them altered. She has helped to put food on the tables and roofs over the heads of thousands of Publix employee/owners over the years. The formula works well and she is not interested in messing with it.

Store Manager Constance (Connie) Core Values is sitting at her desk and picks up her ringing phone and says send him in. The Bureau Chief from the Florida State Office of Public Health William (aka Billy) Bureaucrat enters. He introduces himself as William and tells the store manager that his friends call him Billy. The store manager calls him William to leave no doubt he is not her friend. He explains that he is there to explain the state's new Healthy Living Program. She makes sure that he understands that she is very busy and has only a few minutes to hear him out. The Bureau Chief uses the background information below as evidence of the problem and the justification for government to step in. The Bureau Chief goes on to explain that the new program will be funded by a tax that the legislature has levied on "unhealthy" foods such as soft drinks, red meat, snacks and other fatty foods. The Chief explains that the reason for his visit is to explain the program and to seek the manager's support in rolling out the new program. Billy Bureaucrat actually suggests that Connie be with him on the podium at the press conference when the state rolls out the program next month. This puts the store manager in a really bad place. She knows that she will have to pay increased taxes and that these taxes cannot simply be added to the customer's cost like a sales tax and the programs to reduce the sale of groceries won't be free either. The net effect will be that Healthy Living won't translate into a healthy bottom line. The store manager points that out to William. The Bureau Chief's answer to the manager is to explain that grant funds will be available under the state's appropriation for the department to help the store implement sales reductions for certain foods such as red meat. The first year grant funding is \$50 million available to Florida grocers.

The Store Manager finally gets her belly full and kicks the Bureau Chief out of her office. Closing statement might say something like, the Publix stockholders have invested over \$7 million in this store

we have over 200 employees that cost this store over \$4 million per year in payroll related costs. The store pays \$140,000 per year in property taxes and any strategy that forces the reductions in the sale of groceries works against the interest of the owners and employees of Publix and she wants no part of the BS that the Bureau Chief is peddling.

Background information for the Bureau Chief

(I would not recite all of this; it will take too much time. Just use what you want to)

In the U.S. 822 people die per day or about 300,000 per year die from obesity related causes. Research has shown that as weight increases to reach the levels referred to as "overweight" and "obesity," the risks for the following conditions also increases:

- Coronary heart disease
- Type 2 diabetes
- Cancers
- Stroke
- Liver and Gallbladder disease
- Sleep apnea and respiratory problems
- Osteoarthritis

The medical care costs of obesity in the United States are staggering. In 2008 dollars, these costs are estimated to be about \$147 billion.

- 69.0% of adults age 20 years and over are either overweight or obese:
- Over 18% of children ages 6-19 are obese
- 12.1 % of children age 2-5 years are obese

Scene 2

This scene plays out 1 year later after the state has rolled out its new Healthy Living Program. Publix's senior management has clearly been drinking the state's Kool-Aid with regard to the Healthy Living Program and as a result has created a new management position, the Executive Vice President of Healthy Living. That position is to implement the state's program and to monitor and discourage the sale of unhealthy foods by Publix stores. It is no accident that the position is named after the state's program. Upper management wants to make sure that the state sees the grocery chain as a supportive of the program. Again there are two contrasting messages. As above, the store manager has been a manager for over 30 years and is one of Publix's best disciples of the core values that have made Publix so successful. Fresh foods, clean stores and excellent customer service are what it is all about. She has helped to put food on the tables and roofs over the heads of thousands of Publix employee/owners over the years. The formula works well and she is not interested in messing with it. She sees the new EVP as having sold out his core values that he learned on the way to becoming a solid performer as a store manager. The EVP, on the other hand has bought into the "merits" of the program, sees its need and has therefore embraced its objectives. He believes that it is his job to turn around store managers like Connie to see the bigger picture the health and welfare of society. He has known Connie for over 20

years and in fact worked in her store during his first years. He is hoping that he can use their friendship to turn her opinion around. He faces similar challenges from all of the store managers who have the small view that their role in the company is to sell groceries and continue to grow profitability. Patrick believes that Publix is profitable enough and thinks it is time for the company to give back and the Healthy Living Initiative is a good way to do that.

The Store Manager is sitting at her desk and picks up her ringing phone and says send him in. The new Publix EVP of Healthy Living Patrick Correct enters. The manager knows the new EVP. He worked in her store 20 years ago and moved up to a store manager position himself. They know and like each other and have been together socially many times over the years. (a hug would be okay and asking about each other's spouses would also be normal). Within the Publix organization, store managers are a bit like sorority sisters and/or fraternity brothers. They share common experiences and a common culture. As a result, they can be very informal and candid with each other, i.e. they do not pull punches with each other. For these reasons Connie and Patrick are pals and the dialogue should reflect that. The EVP explains that the reason for his visit is to explain the company's new Healthy Living program and its implications to the company's stores. The EVP notes that the state has implemented the new Healthy Living Program, the purpose of which is to improve the overall health of society. Publix has determined to take a leadership role in supporting the state's new program in the communities where it has stores. Patrick explains that the state will fund the program with a tax on "unhealthy" foods such as soft drinks, red meat, snacks and other fatty foods. This tax will raise the money to support the program plus it has the added benefit of promoting the desired behavior and that is to get consumers to consume less unhealthy food. "Corporate" has determined that it is in the chain's best interest to implement programs to reduce sales of the foods that result in the levy of significant Healthy Living Taxes (HLT). As the company's new EVP of Healthy Living it is his/her charge to set goals and monitor sales of unhealthy foods and evaluate the success of programs to reduce the sale of unhealthy food. The EVP will be the cheerleader among the store managers to get their buy in and active participation in the program. The EVP has also been tasked with applying for the \$50 million of state implementation grant funds. The EVP seems to think that it is a big deal and is proud of the fact that senior management's relationship with the governor increases the odds of the company getting most of the grant funds. With over 750 stores in Florida and the largest chain in the state, company officials have been assured that Publix is well positioned to get the bulk of the grant funds. The store manager sees this as funny math and is not happy and offers various arguments like the company's total annual revenues for the targeted "unhealthy" food represent over 1,000 times the grant amount. What are you thinking? Has corporate lost its mind? How can we survive in this type of environment? We have our stockholders and our employees to worry about and what about our year-end bonuses? I have kids starting college next year, just bought a new house and on and on. The store manager should pepper the EVP with these counters. Remember Connie and Patrick are pals. Patrick should say something like whoa Connie calm down. I understand your points, but corporate has considered all of these points and has already committed to this course of action (i.e. the train has left the station.). Bonuses will take into consideration the manager's ability to meet his/her Healthy Living Goals. Managers that demonstrate their commitment to the program and show the biggest reduction in sales will be positioned for company promotions.

The health and welfare of the citizens of this state need healthier diets and as the most significant provider of groceries in the state, it is our responsibility to improve the health of our customers. [This is the most important message that Patrick has to offer.] The bottom line Connie is I need your support.

The store manager concludes that the company will in the future have less money to finance its growth and is destined to be less profitable. She ventures the observation that the new strategy may put at risk the very factors that are responsible for the company's historical success.