

ISSN 1662-761X

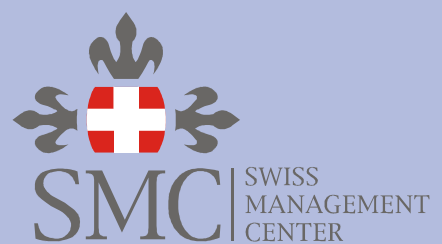
SMC Working Paper

No. 01/2009

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The Meta Cultural Constraints Facing Wal-Mart

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Culture is the life blood of an organization and it can be the determining factor in the successes and the failures that an organization will experience. As an entity culture can be elusive and ever changing. As employees we exist within a corporate cultural framework. Intuitively, people understand that each organization has a specific culture and that the organization goes to great lengths to build the exact culture that they believe will be best in helping to achieve the ultimate corporate goal of increased shareholder value.

However, few understand that the organization itself exists and is determined by a larger environmental culture – the *meta-culture*. That is, it is the larger culture of the society that gives the mandate to the corporation to exist and through that process the corporation interacts and is allowed to prosper. In the lexicon of Social Issues in Management (SIM) this is referred to as a “company’s license to operate”. Further, the meta-culture provides the backdrop on which the company specific culture may rest.

All corporations are affected by their meta-culture, yet few corporations understand exactly how that meta-culture affects their specific corporate culture or how their internal specific corporate culture may in turn affect the larger meta-culture. As Wal-Mart faces the challenges of size and scope, it is the interplay between these two cultures that will shape its future success as a world organization.

Corporate Culture – Efficiency At All Levels

As the world’s largest retailer continues to grow, Wal-Mart faces many important challenges: some functional, some organizational, some technical and some cultural. Necessarily, these challenges all exist within the four walls of the Wal-Mart extended corporate box: figuratively, literally and virtually.

Many of these challenges Wal-Mart is very well equipped to deal with due to their hard won successes at creating a virtual ecosystem of non-related, yet integrated companies. Through technology Wal-Mart has reinvented itself into a modern North American version of the Japanese Zaibatsu or Keiretsu forming an extended, virtual corporation that reaches deep into the operations of its suppliers both from a logistical and data processing function. The ability to do so has brought greater efficiencies to its operations and has helped it to remain ahead of its competition on cost structure. This is no easy feat but necessary in an industry noted for its razor thin margins. When it comes to logistics, data mining of customer information and supply-chain integration through the use of technology few companies do it better than Wal-Mart.

Wal-Mart’s Virtual Keiretsu

In essence, Wal-Mart has been able to take on the core aspects of its business model that creates the greatest level of competitive advantage (key success factors) and at the same time transfers other aspects that are secondary on to its suppliers and customers. Again, efficiency is the name of the game. Suppliers are forced to

manage inventory in a manner that is akin to JIT, just-in-time, in order to ring out even further efficiencies within the overall supply chain. Wal-Mart provides the data management and tools for understanding customer demand and the supplier is expected to manage its inventory to the underlying cycles of that demand. It is a give and take.

If we take a moment to study this symbiotic arrangement we would notice that it is a very intelligent business model. Much criticism has befallen Wal-Mart for pushing inventory management on to its suppliers, but that criticism ignores an important element. That is, the suppliers are receiving in turn extremely critical data and information on the buying behaviour of their very own customers that otherwise would either be too difficult or too expensive for them to collect on their own. This is especially true for smaller suppliers whose resources are far too limited to even consider such a project in the first place. In summary, Wal-Mart shares the benefit of their own scale with the many large, medium and small suppliers within its virtual organization. The entire virtual Wal-Mart extended family of businesses, or the Wal-Mart Keiretsu, benefits from that sharing. Unfortunately, this fact is often overlooked by many observers.

What the above illustrates through a concrete example is how Wal-Mart never ceases to study its supply chain and find new ways of extracting efficiency. Wal-Mart incessantly re-examines its workflow processes and re-engineers its business model before others do it for them. This is another element of their competitive advantage and underlying cultural imperative. Since the chain is integrated in a virtual manner, all the participants up and down that chain benefit. Cost control at Wal-Mart is not just about pushing directives in a selfish manner on outside businesses as it is often portrayed in the media, but is a directive that Wal-Mart places on its own internal business as well. It is a give and take that increases the efficiency of the entire system. This is where Wal-Mart stands out from its competitors.

Human Resource Management

The company is also well known for human resource management as it is the largest employer in the United States and also credited with being the largest employer in the world. With approximately 6,500 stores worldwide Wal-Mart is estimated to employ over 2 million people at any given time. Using a conservative estimate of turnover within the worker ranks of 25% per year Wal-Mart is replacing over 410,000 new workers – each year! This in and of itself is a great technical and organizational feat. Target one of Wal-Mart's closest rivals only employs 338,000 people within its entire organization¹. That means that on average Wal-Mart replaces each one of its main competitor's employees each and every year.

Recently, criticism has emerged that Wal-Mart is purposefully culling and capping its workforce of long-term, full-time employees and replacing them with part-time employees in an effort to maintain lower human resource costs². However, when the cost of maintaining such a large and diversified workforce is contrasted with the annual profit, a clearer picture of the true motivation of Wal-Mart appears. In its 2006 annual report Wal-Mart reported sales of \$312.4 billion with a net profit of \$11.2 billion for a return on sales of 3.5%, as mentioned earlier razor thin margins. With 2 million employees world-wide that represents a net profit of \$5,600 per employee. If

¹ Target Corporate Factcard, October 5, 2006. Target, www.target.com

² Wal-Mart to Add More Part-Timers and Wage Caps, The New York Times, October 2, 2006

an employee works an average of 20 hours per week, taking into account a part-time and full-time employee mix, that average employee works approximately 960 hours per year. So even a \$1.00 increase from the reported \$10.11 full-time wage would reduce the stated net profit of \$5,600 per employee by \$960 to \$4,640 per employee and reduce the return of sales to 2.9%, a reduction of 0.6%. If we take a moment to absorb the above we see that Wal-Mart must do everything possible to maintain low labour cost in order to maintain its competitiveness in an industry typified by razor thin margins.

Perhaps, the greatest comment on the labour practices of Wal-Mart is the fact that at a recent store opening in Evergreen Park, Illinois, 25,000 potential employees applied for 325 store positions, a ratio of approximately 77 applicants for each position available. One could ask, if Wal-Mart is such a low-paying environment compared to the market then why are so many people applying for jobs. As rhetorical as this question may be, it shows that everything is relative and that the present wage practices at Wal-Mart, given the company's job popularity, is desired by many and therefore most likely not out of sync with the overall demand of the economy. No matter which way you look at it, Wal-Mart clearly understands their human resource position and is able to control their cost to maintain profitability - something that many companies are unable or unwilling to do.

Corporate Culture – Conflict Within and Without

With over 3,800 U.S. stores and 6,500 world-wide stores the impact that the opening of a new Wal-Mart store has on a community is now legendary. For the most part, the months preceding the announcement of a store opening are filled with points and counter points identifying the pros and cons from all the stakeholders involved. The issues are well known. Accusations that Wal-Mart exploits low-wage earners and its supplier base are countered by attestations of the number of jobs that Wal-Mart creates both within and without its stores is just one such argument. There are many more. And so goes the dance between the Wal-Mart enthusiast and the Wal-Mart detractors played across the global media in a frenzy of emotion. Will it ever end? Perhaps not, as it seems the various factions are caught in a type of co-dependent relationship, each playing off the other. As consumers we love the low prices, as citizens we are leery about the noise around the company's business practices. So the love-hate relationship goes on. This continuous dance between the opposing sides has become a symbol of what Wal-Mart is today - conflict. The context of the arguments, either pro or con, is almost of no consequence as to the fact that the conflict exists. It hijacks the media and the attention of the Wal-Mart ecosphere. It is always out there, the sense that the shopping experience at Wal-Mart isn't what it appears to be, or is no longer what it once was. As Wal-Mart has grown and changed so has its shopping experience.

And so it seems that with increasing size conflict with its customers and suppliers is almost a pre-determined fact of its business. Size has created a monster. Wal-Mart has morphed into a 2,000 pound gorilla before the eyes of its customers and suppliers and now enjoys a relative size advantage heretofore never imagined. Stores continue to grow in size which makes the underlying shopping experience more and more frustrating for the average shopper while the corporation itself grows to new levels, ever more able to exert its will on its supplier base. Size can bring with it many difficulties and any business or personal relationship based on unequal size

or power is fraught with difficulty by design. However, size is not the only determinant of conflict at Wal-Mart.

Along with the morphing of size has come the morphing of Wal-Mart's underlying culture. One that originated as "Always Low Prices" that were good for everyone has changed into "Always Low Prices" that seem to cause a whole host of economic and societal problems. "Always Low Prices" have become marred with a sense of injustice, the exact opposite of the original sentiment of the founder Sam Walton.

Perhaps abuses are inevitable when you are running the largest employer in the world, which also happens to be the largest retailer in history and is also credited with single-handedly controlling inflation and creating its own economic sphere of influence and effect³. With size comes scope, with scope comes power. And power has the tendency to be abusive. Power corrupts and absolute power corrupts absolutely⁴, as the saying goes. Not the typical idea of power, but a type of power that is all encompassing - the type of power that can change a person's destiny with the node of the head or the stroke of a pen. It is a dictatorial type of power that was known to such leaders as the Caesars in ancient times. It was power that laid in the hands of only a very few. A thumbs up or a thumbs down was all that separated the charged from life or death. This was power, this was great power, a type of power that the world had not yet seen or experienced.

The power that Wal-Mart enjoys today is similar in scope to the power of Caesar. The destiny of factories, companies and the collectivity of jobs can come in and out of existence with the node of the purchaser's head, the stroke of their pen and inevitably the stocking of the product line.

Corporate Culture – The Responsibility of Great Power

Politicians would remind us that great power involves great responsibility⁵ and it is herein that lies the conundrum or quagmire of Wal-Mart that makes all other discussions of its future pale in comparison. In the above, we discussed the underlying internal culture of Wal-Mart as an organization and its unswerving focus on efficiency. But those examples ignored the external environmental culture in which Wal-Mart operates. However, it is this external environment that is all important to the future of the company.

In ancient time Caesar knew his role, he knew his power and he knew his responsibility to his subjects, himself and the state. Moreover, his subjects knew their place. Cross Caesar and you die, period. The rules were simple. In Wal-Mart's world that understanding of power and responsibility is in flux. The collective understanding as to the appropriateness of the power and the legitimacy of the power is in question.

Wal-Mart represents something new. Never before has so much corporate purchasing power been held by so few within the same organization. The power is so great that a few executives in Bentonville can move the American economy with seemingly more facility than the incumbent government. This purchasing power has

³ The Wal-Mart Effect, Charles Fishman, Penguin Press, ISBN 1-59420-076-9

⁴ Lord Acton in his famous letter to Bishop Mandell Creighton, 1887

⁵ "Great power involves great responsibility", President Roosevelt's undelivered Jefferson Day Address, April 13, 1945.

the ability to morph into political power and if we keep the thoughts of Lord Acton in mind than that power is the most serious threat to liberty. This is what the average American intuitively understands, even if they can not verbalize it, and it is why the size of Wal-Mart causes such consternation and concern.

Power in all of its guises is still power and Caesar by any other name still rules, perhaps more subtle in its application using channels of business yet as devastating in its effect and consequences: the livelihood of those it touches and the movement of the whole economy.

Corporate Culture – The Need For A Great Leader

It would seem ridiculous that Caesar could come to power in today's America. But that in effect is what has happened. By providing "Always Low Prices" Sam Walton understood one thing clearly. As Caesar knew how to obtain and maintain his power accordingly, Sam Walton knew that Americans **deserved** "Always Low Prices" – low prices were their inalienable right.

Americans work hard for their money and by providing them a place where they could stretch that dollar even further Walton knew that a powerful recipe would be borne. In his eyes "Always Low Prices" was nothing less than his civic responsibility, a service to the community - Caesar looking out for the good of all his subjects.

Through his tireless efforts of providing "Always Low Prices" Sam Walton was able to invigorate his company with an over-arching goal of cost control that would accomplish two critical points from where his modern day Empire could flourish. First, it would lay the foundation for one of America's most frugal companies and create a discipline that would be second to none. Second, it would solidify an archetypical myth figure that would survive him as founder and further lay the bedrock on top of which the Wal-Mart culture could firmly grow. Without either of these cultural necessities of discipline and myth Wal-Mart would not and could not be the Wal-Mart we know of today.

Every Empire needs its army to have discipline, without discipline in the ranks of the foot soldiers all is lost. Sam Walton intrinsically knew this and gave his employees a uniform message, something that they all could believe in, something that they could rally around – "Always Low Prices". It was simple, elegant and it was powerful. Any commander will tell you that all armies need a rallying cry or central theme to be effective - something that every foot soldier can easily understand. Kill the enemy because the enemy is evil. Kill high prices because high prices are evil. Interestingly, the assumption that the enemy is evil never gets questioned or else the whole idea of war makes no sense. In the same manner within Wal-Mart, the assumption that high prices are evil is never questioned or else the whole idea of never faltering to provide low prices makes no sense.

As a commander, you don't want your foot soldiers questioning the mission, what you want is for them to carry out the orders – "Always Low Prices". And who would want to cross Caesar anyway! And so it was with the formation of the Wal-Mart army. Don't question low prices just find a way to win the war, in other words be a good foot soldier. In today's Wal-Mart we see that same never questioning attitude and the "do what you must" imperative. It drives the company to push the boundaries of ethical

behaviour and is a testament to the power of the underlying message and stature of Sam Walton that it has survive for so long in tact after his death. In fact, some would argue that the message of “Always Low Prices” has becoming even more entrenched since Sam Walton’s death as myths and their primary attributes tend to follow a natural order to aggrandize over time.

“Always Low Prices” would solidify his persona and legend as the driving force of the company long after he was gone. Sam Walton would be the stuff of legends. This is critical to the present day success of Wal-Mart. It is one thing to follow a coldly crafted mission statement and it is quite another thing to follow a man, even if just in memory. For the staff and managers at Wal-Mart providing “Always Low Prices” is nothing less than following in the footsteps of Sam Walton - their Caesar. It is a powerful statement of commitment, it shows loyalty to the Wal-Mart Empire, it shows that you know your place as a subject of Caesar.

Corporate Culture – The Power of Philosophy

For Sam Walton providing “Always Low Prices” was seen not just as a business idea that had some merit but as his civic duty. He had a drive to provide low prices not simply for profit but because it was the right of each American to enjoy low prices.

Like the Roman Empire Wal-Mart has grown from a small non consequential outpost to a world dominating force and so have the woes and challenges that it must contend with. As Charles Fishman states in his book “The Wall-Mart Effect” it is one thing to be relentless at providing “Always Low Prices” when you are 3 stores in Arkansas and quite another when you are 6,500 stores strong and the largest retailer ever known to man⁶. The decisions that you make have more scope, they have more impact, they touch more people - a lot more people.

But it wasn’t always that way. Wal-Mart started off small. It wasn’t the creation of the merging of a group of large retailers into an even larger entity that just appeared on the scene. The growth at Wal-Mart came store by store. It grew organically out of the very cultural pillars that Sam Walton laid down on the founding of his first store. This is why the power of Wal-Mart and its underlying culture is so strong today. It has stood the test of time based on a simple premise that harks back to the founding fathers of the American experience itself.

Emerson would be impressed with the underlying tone of self reliance that pervades the Wal-Mart experience, for what could be more self reliant than spending your money frugally. And Henry David Thoreau sitting at Waldon’s pond would no doubt acquiesce with Sam Walton borrowing his motto of “multum in parvo”: “much in little”- little prices yielding much.

And so it is difficult to understand that a company so steeped in the traditions of some of America’s most revered authors and founding philosophers would be facing such conflict with its suppliers, customers and general media as Wal-Mart presently does. And as we look for a reason behind this cultural dilemma we see that a similar manifestation has been happening to America itself.

⁶ The Wal-Mart Effect, p. 47, “What looks like missionary zeal when you’re a quirky regional retailer comes across much differently when you’re the most powerful company, and the largest employer, in the world.

Corporate Culture – The Company As Nation

Perhaps the reason why Wal-Mart makes so many people uneasy is because with its size it has become a mirror of American society, a parallel of sorts. Like Wal-Mart, American society (economy) has grown so large that even the defensive moves of the combined European Community fall short of its economic power. The very bigness it enjoys makes us nervous. As mentioned, we as people innately understand the corruptibility of great power and bigness.

Great power involves great responsibility: a responsibility to use that power in a just and equitable manner. In this sense both America and Wal-Mart remain unopposed in their relative size and use of their power. The way in which that power will be used is a question of choice. It is an ethical decision with which both entities wrestle. And like all ethical decisions, the use of power is determined by the underlying culture that supports that power platform.

We know through experience that acting ethically means knowing the difference between what you have the right to do and the right thing to do⁷ and that acting unethically is usually the result of self serving motivations. And with bigness and power comes the necessity to see beyond your own self-serving needs and requirements or face the same fate that befell The Holy Roman Empire - collapse.

Perhaps that leap is easier for governments to make no matter how myopic they may presently be. For it is their primary mandate to serve. But ironically with Wal-Mart it is also their mandate to serve which may prove to be their ultimate undoing.

Since day one, Wal-Mart has mandated themselves to serve the American population with “Always Low Prices”. They see themselves as the democratizers of price, the same way as America sees itself as the democratizers of politics. Both are self appointed and both are facing a battle. It is a similar master that points back to the very same constituents.

As America tries to unravel the cultural imperatives of democracy so to is Wal-Mart trying to unravel the cultural imperatives that its unwavering adherence to low prices has both within and without its own culture.

For a corporation, size is good as it enables you to use your own bigness as a lever against the power of your suppliers and the power of your customers. This is expected and any company would be foolish not to use its size to its own advantage. This is one of the first lessons learnt in any MBA class as illustrated through the Porter framework. Nevertheless, extreme size can bring greater ills than benefit and attack the very Liberty that enabled it to flourish in the first place.

All corporations need growth, and size by its nature limits growth. It is a paradox of limited market size. Growth creates size but size limits grow. And with increased size the ability to continue to grow is limited to the corporation's ability to manage that growth by finding new markets and new customers. If you can't get more of the pie

⁷ Justice Potter Stewart, Associate Justice of The United States, served from October 14, 1958 through July 3, 1981, “There is a difference between what you have a right to do and what is right to do.”

then get a bigger pie. The home country/market becomes saturated and the company is forced to go further a field to seek out new customers. And it is here that we hit other cultural paradoxes or inflection points that will determine the future of Wal-Mart. The first is the fact that the underlying assumption of the founding philosophy of the corporation which is based on the larger cultural context of Wal-Mart's home country may not be shared by the new market participants. The second is that with expansion and ever growing business size the corporation's purchasing power across geographic boundaries enables it not just to affect in large measure its home economy but the economies of other host nations. Purchasing power has morphed into political power which in turn has morphed into geo-political power.

Firstly, Wal-Mart's ability to find new customers and markets is predicated on the assumption that the new customers outside its home market will share the same belief and value system, read: "culture", under which Wal-Mart has flourished, i.e.: that the value of "Always Low Prices" is shared by everyone. And by extension it is also predicated on the belief in the very values that forged the American culture. Those being the same values shared by Thoreau and Emerson, et al: thrift, discipline and self-reliance.

If the new customers don't value those underlying values and assumptions then continued growth through the opening and conquering of new markets is not assured. If those markets don't materialize then the company will falter, growth will stall and the organization may face collapse under its own weight.

Secondly, as the power base of Wal-Mart continues to grow across country boundaries and its underlying power base continues to morph from economic to geo-political power the uneasiness that customers, the general community and ultimately politicians will feel will no doubt increase to a point where action will be demanded. Lord Acton's comments on the corruptibility of power states that it is almost an inevitable result. Power and specifically political power is the greatest threat to Liberty. If this is true then Wal-Mart's increasing geo-political power is now diametrically opposed to the most fiercely held and defended value in American history - Liberty. The corporation is now at odds with its own home country culture, its very meta-culture. Like the Rome of Caesar, the seeds of discontent are forming.

Corporate Culture – Saving The Empire

All Empires go through a life cycle, as do all corporations. The Romans grew to rule the known world until the excesses of their culture borne of their very success caused their downfall. America grew from a sense of independence, self-reliance and manifest destiny wrought from democracy to the most powerful nation on earth that today brings it squarely at odds with other regions in a play of nations whose ending still needs to be written.

For Wal-Mart the greatest threat facing the corporation is culture. But it isn't coming from the internal culture that has caused it to be the incredible success that we know today. The threat against Wal-Mart comes from its meta-culture, the environment in which it exists and the culture that permits it to exercise its far reaching power.

Corporate Culture – The Need To Re-Invent

Is it a natural progression for entities to maximize themselves before they inevitably experience an implosion of sorts and either get broken up or dissolve into history? For Wal-Mart, the answer to this will be dependent on whether Wal-Mart can understand that as it seeks further growth it must re-examine its underlying cultural philosophy and the ethical dilemmas it faces in using its newly found geo-political power equitably within the larger meta-culture. The status-quo is no longer an option. Equity in the future may not mean “Always Low Prices” and this will be nothing short of traumatic for both the individuals within the organization and the organization itself. It will require a seismic shift from the founding principles of the corporation and its founding philosophers to an unwavering respect for the dominant American value of Liberty. By protecting Liberty at all cost by wielding its power ethically and equitably Wal-Mart may be able to refocus its energies to the higher goal of societal justice and at the same time regain its reputation within the community at large as the quintessential American company.

The transition will be fraught with danger as the very fabric of the organization is re-stitched. Nevertheless, it is a necessity. If management and the organization as a whole prove unable to re-invent or re-engineer their culture, as they have been able to do in other areas of the corporation, the external forces acting upon them surely will. As was proven in Rome many centuries ago.

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