

Your Turn

by Munir Quddus

Wal-Mart: Teaching the Whole Story

Is Wal-Mart a gigantic success story or an Enron waiting to detonate? It could be both or neither, which is what makes Wal-Mart perhaps the most prominent, most fascinating—and most contradictory—case study that has confronted business educators in a long time.

With Wal-Mart, however, business educators face a common limitation, one they share with the media and stock analysts. Too often, we take a one-dimensional view of corporate behavior. We label corporations as either “failures” or “success stories,” as either heroes or villains, depending on their most recent financial, ethical, and social behavior. Companies that make the “best” lists—best to work for, best for women—are good. Those that succumb to ethical scandals, bankruptcy, or other such corporate ills are bad. We present our students with case studies so that they can learn the conditions under which a company succeeds or fails. It’s often just not that simple.

As a result, we sometimes get it wrong. Enron, once adored as the paradigm of good corporate citizenship and strategy, is now the poster child of corrupt corporations. Dow Corning was once seen as having the best business ethics programs in corporate America. Nevertheless, its seemingly infallible program failed to protect the company when problems with its breast implants surfaced in the mid-1990s, leading to a class action lawsuit and settlement that may reach \$4.27 billion. As business educators, we are often forced to

change viewpoints retroactively, when a good company turns bad, or vice versa. Rarely do we have—or take—the opportunity to look at both sides at the same time.

This illustrates the need for an important change in the way we teach. We must show business students that a company can be *both* good and bad. It’s imperative that students learn to look at companies through two lenses at once. With a company like Wal-Mart, we have the



perfect opportunity. We can extract a course’s worth of lessons from Wal-Mart’s colossal success and well-publicized flaws to show our students that a company’s character can’t always be painted in black-and-white terms.

As the largest retailer and company in America, with 20 million people shopping in its 3,500 stores every day, Wal-Mart is a true business titan. The company’s \$256 billion in annual revenue is equivalent to 2.5 percent of the United States’ gross

national product. According to one industry observer, if Wal-Mart were a nation, it would be China’s eighth largest trading partner.

Wal-Mart’s late founder, Sam Walton, had a vision for the company that still resonates positively today. For example, in his autobiography *Sam Walton—Made in America*, Walton included a chapter on “Running a Successful Company: Ten Rules That Worked for Me.” He lists many rules that are considered the gold standard of good business: Exceed customer expectations, control expenses, communicate with employees, keep employees motivated, celebrate successes, and ignore conventional wisdom. Walton also emphasized learning from competitors—he often sneaked into other department stores to discover new ways of approaching retail—and learning from one’s own mistakes. Such apparent wisdom, along with Wal-Mart’s prominence, would make Walton and many of his successors coveted guest speakers for any business school course.

However, success inevitably brings with it more attention from the media, politicians, and academics. In Wal-Mart’s case, that attention has exposed a number of apparent shortcomings. For instance, Wal-Mart is the most sued firm in corporate America—the company is currently defending a class action lawsuit that could eventually involve 1.6 million current and former female employees. In addition, Wal-Mart managers are accused of employing undocumented workers, requiring overtime work without overtime pay, and even locking their night-shift workers inside the store without a means of escape.

Moreover, despite its enormous

successes, Wal-Mart has committed a number of strategic errors—even blunders:

■ In its single-minded focus on the customer, it has ignored and even antagonized other stakeholders, including employees, residents, vendors, and neighboring small businesses.

■ It has failed to preserve or build significant societal good will. Many smaller communities across the U.S. and overseas are rebelling against the company because they want to preserve their ways of life. To them, Wal-Mart symbolizes urban sprawl, low-paying jobs, and the demise of small business.

■ It has generated an imbalanced system of promotions and pay for women and minorities. Although women comprise the majority of employees at the associate level, they are significantly underrepresented in upper management and on the board of directors.

■ It has encouraged unbridled growth. Growing too large too fast can be detrimental to the long-term health of any company.

■ It has failed to monitor closely enough the activity of its store managers. In fact, some top executives in Wal-Mart have said that the company has grown so fast, management has been unable to focus on personnel matters. One of the most prevalent reasons for Enron's downfall was that top management tolerated—and even cultivated—a culture of unethical behavior. Today's Wal-Mart seems to take a *laissez-faire* approach with its store managers, letting them run their stores within broad guidelines. Such a lack of accountability has led to much of the uproar the company now must work so hard to counteract.

The negative publicity and horror stories coming out of America's largest company have all but overwhelmed the positive news about the company's considerable success and impact on industry and society. For many, the company can do no right. Even so, we should not allow our students to view Wal-Mart's case through that lens alone.

A number of current books can illustrate for students all sides of the retail giant. In *The Case Against Wal-Mart*, author Al Norton paints the

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company as a clear and present danger to small-town America. Michael Bergdahl, a former Wal-Mart executive, suggests ways for other businesses to survive in a Wal-Mart dominated market in his book *What I Learned from Sam Walton: How to Compete and Thrive in a Wal-Mart World*. And in perhaps the most objective treatment, journalist Bob Ortega explores the company's success and its controversial tactics to stay on top in his book *In Sam We Trust: The Untold Story of Sam Walton and Wal-Mart, the World's Most Powerful Retailer*. On television, journalist David Faber devoted a two-hour CNBC documentary, "The Age

of Wal-Mart: Inside America's Most Powerful Company," to the company's strategy and practices.

As students study these and other resources, it's important for them to remember Sam Walton's original vision, even as the company struggles to maintain it. It's easy to get involved with hype or even take pleasure in spotlighting the blunders of Wal-Mart, while neglecting its achievements. But as business professors, we must treat a complex case like Wal-Mart carefully.

Let's not relegate Wal-Mart to Enron status just yet, or elevate its executives as retailing masterminds. The company is neither wholly angel nor devil. It *is*, however, an example of just how complex corporate growth and management can be. It's a company struggling with its weaknesses and celebrating its successes. It's a company managing a wave of public backlash for its practices while still reaping the financial benefits of its core strategies.

Even now, it has launched a new ad campaign to counteract its image as a small-business killer, painting itself as a champion of the Main Street businesses of small-town America. Will it succeed? Time will tell. But in the meantime, Wal-Mart gives us the perfect opportunity to teach our students the multidimensional character, not just of Wal-Mart, but of business itself. It provides us the perfect example to teach students the difficulty of distinguishing the line between "good," "bad," and "ugly," when it comes to corporate behavior—and the lessons that ambiguity has to offer. **■**

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