Continuing Case

New Improved Walmart Hits No. 1 in Midst of Global Recession

We live in turbulent times. Since the collapse of the U.S. housing market in 2008, the unemployment rate has more than doubled. Iconic American businesses have gone belly up or been bailed out with taxpayer money. Entire nations have teetered on the edge of bankruptcy. Yet, despite widespread turmoil, some organizations have actually defied the global recession—Walmart is a case in point.

During this same period of economic decline, Walmart increased profits, created thousands of new jobs annually, expanded its operations overseas, launched a sustainable-business revolution, extended health coverage to 1.2 million people, unveiled a hunger-relief program, developed 75 percent of store management from hourly associates, and saved the average American household $3,100 annually. In the words of the company motto, Walmart has helped people “Save money. Live better.”

As the world’s largest corporation and private employer, Walmart possesses a massive economic profile. In 2010, the Bentonville, Arkansas–based retailer hit No. 1 on the Fortune 500 list and was ranked among the top ten world’s most admired companies. Fiscal year sales reached $405 billion, and the company’s diverse workforce grew to more than 2 million people worldwide. The big-box leader operated 8,400 retail units in 15 countries, including 2,747 supercenters, 803 discount stores, and 596 Sam’s Clubs in the United States alone. It donated more than $400 million to charities and maintained partnerships with 61,000 suppliers. If Walmart were a country, its economy would rank among the top 25 nations, rivaling Saudi Arabia and Sweden.

The company’s recession-defying growth springs from a familiar but groundbreaking retail formula: unbeatable low prices made possible by high-volume purchasing, ultra-efficient logistics, and advanced supply-chain technology. Significant cost reductions from increased efficiencies and economies of scale enable Walmart to sell merchandise at rock-bottom prices and still make a profit. Walmart supercenters are the visual embodiment of such economies of scale: Spanning the length of multiple football fields, the massive one-stop marketplaces offer mountains of discounted brand name and private label merchandise across a range of categories, from groceries and electronics to housewares and automotive.

Walmart’s success traces back to a legendary American businessman, Sam Walton. Born in 1918 to a farm family in Kingfisher, Oklahoma, Walton recognized early in life that his ability to milk cows, deliver papers, and quarterback a team to a state football championship could lead to greater achievements. At college, Walton was head of the Reserve Officers’ Training Corps (ROTC), the founder of a newspaper delivery business, and class president. After finishing studies at the University of Missouri, with a degree in economics, the young graduate went to work for J.C. Penney Co., where he learned retail sales and a technique called “management by walking around.”

After serving his country as a World War II Army captain, Walton began to realize his full entrepreneurial potential. Upon leaving the service in 1945, Walton became a franchisee of Ben Franklin Stores, where he honed his trademark strategy of purchasing in high volume while lowering markups. In 1950, he launched his own store—Walton’s Five and Dime—in Bentonville, Arkansas. The rest is history: Walton opened the first Walmart Discount City store in Rogers, Arkansas, in 1962, and in 1969 the business incorporated as Wal-Mart Stores, Inc. After growing his company regionally for two decades, the affable “Mr. Sam” transitioned to chairman of the board and set management’s sights on national and international expansion. Walmart opened its first supercenter in 1988, moved into all 50 states by 1995, spread to 15 countries by 2005, and planned a global 50th anniversary for 2012.

Samuel Moore Walton passed away in 1992, but his spirit lives on in the company. From the first moment Walmart opened as a single store in Rogers, Arkansas, the retail giant has borne the stamp of Walton’s industriousness and ambition. The company now boasts hundreds of millions of customers worldwide, who save money by shopping for all their needs at one convenient location.
Today a new era of Walmart is emerging. Although the retailer’s storied past was marked by relative tranquility and folksy Americana—“Mr. Sam,” the yellow “Smiley” mascot, and low prices sloganeering—being No. 1 has attracted powerful opposition from competitors, governments, unions, and special interests. Unlike the former halcyon days, the new age of Walmart is fraught with legal and political contests that threaten Walmart’s brand, attack its profitability, and undermine the cost-cutting formula on which the company is built. To reposition Walmart for the challenges of the twenty-first century, former CEO H. Lee Scott, Jr., commenced a companywide makeover at the midpoint of his ten-year tenure. After leading the company’s disaster-relief effort following Hurricane Katrina in 2005, Scott and fellow executives infused Walmart with fresh initiatives that cast the company in a greener, more humanitarian light. The changes culminated in the acclaimed “Save money. Live better.” campaign—a campaign that has expanded under the leadership of new CEO Mike Duke. By 2015, Walmart plans to add 500,000 new jobs to the economy, tackle world hunger, create industry benchmarks for sustainable business, elevate working conditions for global workers, and roll back prices for increasingly cash-strapped global consumers.

If management pursues its ambitious, forward-looking agenda with the same drive and determination that animated founder Sam Walton, Walmart may be on the cusp of a new business revolution—one that holds maximum potential for people, profits, and the planet.

Questions

1. Why is innovative management important and how have Walmart’s leaders demonstrated innovation throughout the company’s history?


3. What social, political, and economic forces are shaping the practice of management at Walmart in the twenty-first century?

government began making modest concessions to capitalism and Western businesses. The move sparked two decades of rapid economic growth, and Chinese consumers now buy everything from flat screen TVs and cars to designer apparel—they even purchase lattes at Starbucks and chicken at KFC. China’s modernization has become symbolized by pro-basketball star Yao Ming, Supergirl singing phenom Li Yuchun, Olympic world champion Liu Xiang, and Karate Kid martial-arts actor Jackie Chan—Sino celebrities who have achieved Western-style fame and lucrative sponsorships with American businesses.

As Walmart’s spread throughout the People’s Republic indicates, big-box retailing is a hit with Chinese consumers. In 2004, Walmart operated 39 stores in China. In 2010, the number reached 290 total units, including 104 Trust Mart Hypermarkets, 178 supercenters, and four Sam’s Clubs. The early success has caused analysts to speculate that Walmart China will eventually have more stores than the domestic American market.

Walmart China’s supercenters have much in common with their U.S. counterparts. The expansive stores are stocked with mountains of low-price merchandise, proving that Sam Walton’s “stack ‘em high, watch ‘em fly” philosophy has transcended cultural boundaries. But differences exist as well. First, 75 percent of Walmart’s international stores operate under a different banner, reflecting the web of acquisitions and joint ventures Walmart uses to enter foreign markets. Next, the selection of merchandise offered in China supercenters is oriented to the unique tastes of Walmart’s 7 million weekly Chinese shoppers. Grocery sections are stocked with live frogs, turtles, and fish—fresh staples of Chinese diets—and familiar American products are curiously altered, as with Tide detergent, which is sold as a hand-wash laundry product due to the scarcity of washing machines in China.

Douglas McMillon, Walmart International’s president and CEO, says that despite visible variations among stores, the company’s goal is the same in every area of the world. “The primary objective is to save people money so they can live a little better,” said the head of Walmart’s fast-growing segment. “Our goal in every market where we operate is not only to deliver products at a great value but also to ensure that all of the products we sell are made in an ethical and sustainable way.”

But running a multinational operation in “an ethical and sustainable way” is easier said than done. In 2010, Google exited China over the country’s strict censorship policy and poor record on human rights. Years earlier, The Gap caused a firestorm of criticism by unintentionally sourcing products made by child laborers in India. Intent on learning from others’ mistakes, managers at Walmart have developed an Ethical Standards Program to audit suppliers and ensure the ethical procurement of goods. “In our ‘Standards for Suppliers,’” says McMillon, “we outline our expectations that our suppliers must compensate all workers with wages and overtime premiums and benefits that meet or exceed local legal standards, local industry standards, or collective agreements, whichever are higher.” Rajan Kamalanathan, vice president of Ethical Standards, notes that the program is in place to do what is right for factory workers and the environment: “We not only bring sustainable and positive change to working conditions in factories, we also help build ladders to a better life in the countries where we’re sourcing.” The new program is showing results: In 2006, the ethical standards team conducted 8,873 factory audits—more than any other company in the world—leading to a 23 percent decrease in high-risk standards violations.

Policing the workplaces and ecological footprints of thousands of international vendors may be a Herculean task, but executives at Walmart say it’s a necessary one. Chairman Lee Scott, in a discussion forum sponsored by Fortune magazine, laid out the case for international ethics and corporate social responsibility. “If China is allowed to produce the world’s goods without following reasonable protocol in protecting the environment and protecting people,” Scott reasoned, “ultimately, governments will react and do something to balance that. So I think it’s in China’s best interest, and I think China understands that.” Scott added that socially responsible business is simply good business—by reducing waste and energy usage throughout the supply chain, Walmart is lowering costs and paving a path to higher profits for all. “We’ve been able to go in and work with individual factories, where instead of costing them more money to do it the right way, the factory is actually able to save cost by doing it the right way.”

Questions

1. Which market entry strategy is Walmart primarily using to enter foreign markets, and why has management chosen this approach?

2. What challenges do Walmart China managers encounter in the international business environment?

3. Which of Walmart’s sustainability initiatives do you believe will have greatest positive impact on China? Explain.


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Extreme Makeover: Walmart Edition

After years of putting on a yellow happy face and dressing in familiar blue smocks, Walmart stores are getting an extreme makeover. For millions of Walmart customers who’ve witnessed the big reveal at grand openings across the country, the changes are dramatic. Store aisles are wider, and the new color palette is vibrant. Assortments are tidy, and merchandise is marked with bigger, bolder signage. Towering shelves are gone, and so are associates’ old blue smocks.

The unveiling of Walmart’s next-generation stores is part of a strategic plan dubbed “Project Impact.” Announced in 2008, the nationwide remodeling effort aims to improve the Walmart shopping experience and increase sales. According to the project’s rollout schedule, 70 percent of U.S. stores will undergo an upgrade by the end of 2012; the remaining renovations will wrap up in 2014.

Project Impact was an idea born of the recent financial crisis. As the U.S. economy sagged, higher-income consumers began shopping Walmart to take advantage of low prices. The influx of more affluent customers hastened the push to revamp stores, and management concluded that better atmospherics could transform economy-conscious visitors into loyal Walmart customers. The opportunity set off a flurry of planning, and Eduardo Castro-Wright, vice chairman of Walmart stores, took charge of the initiative.

According to Castro-Wright, an important statistic loomed large in the planning of Project Impact. “Customers on average spend only 21 minutes in the store,” the vice chairman proclaimed. “If you don’t make it easy for them to shop during those 21 minutes, the possibility that they are going to buy from you is much, much smaller.” With the clock ticking on various reconfiguration options, Castro-Wright’s team slashed 15 percent of store inventory, lowered shelves for an open line of vision, and shuffled departments for easier shopping. The changes are unmistakable: Walmart’s pharmacy now sits at the front-middle of stores, maximizing demand for $4 prescription drugs; grocery essentials have shifted to the back, prompting customers to browse merchandise on their way down the aisles; and apparel racks are repositioned at the center, signaling a head-to-head competition with Target. Walmart’s super-promotion aisle, “Action Alley,” has disappeared.

The cut in merchandise signals a sea change for Walmart. Although a 15 percent reduction in stock-keeping units (SKUs) allows for cleaner looking stores, the change involves risky tradeoffs for Walmart’s merchandising strategy. With fewer products in stores, Walmart must be more selective about which products to carry and more committed to selling in higher volume. To increase store sales using fewer stock items, Walmart is loading up on hot gadgets such as Apple’s iPhone 4 and iPad. The home entertainment section is adding 3D TVs. The crafts aisles are filled with popular scrapbook materials. Groceries are expanding Walmart’s Great Value store brand consumables. But many product lines, such as Walmart’s flagging “cheap chic” designer apparel, are getting the axe.

As highlighted in Walmart’s official planning documents, Project Impact keys in on ten important words. “Save money. Live better.” is the company motto expressing Walmart’s mission. “Win, Play, Show” are keywords that guide merchandising assortment decisions. “Fast, Friendly, Clean” are words for the customer’s in-store experience. According to Steve Banker, analyst for ARC Advisory Group, Walmart’s planners are seeking to boost store efficiency by connecting in-store merchandising with back-end logistics:

> Win-Play-Show is really a merchandising strategy that has beneficial synergies with logistics. In a “show” category, the company carries fewer SKUs than it has in the past. A “show” strategy is a defensive approach that limits product selection but does not cause a buyer to go somewhere else for a product. In “win” categories, price leadership is deemed absolutely critical, along with having more pronounced and well-positioned displays in the stores. This program has led to a reduction in the number of SKUs available in stores, something the folks in logistics always appreciate. Walmart supplements and expands the product assortment in its “show” categories through Walmart.com, where customers can order products online. (Steve Banker, “Walmart’s Win-Play-Show Assortment Strategy,” *Logistics Viewpoints*, 2009)

Bill Simon, executive vice president and chief operating officer at Walmart, confirms Banker’s point. “Because we’ve rationalized SKUs and focused our energy on ‘win, play, show’ categories, and because we have less inventory in the stores, it’s easier for us to find and stock the shelves and order the products that we need from the distribution center. And so reduction in inventory has resulted in higher in-stocks, not lower in-stocks.”

Sleeker streamlined logistics may indeed be a focus of Project Impact, but customer satisfaction is the ultimate goal: “The net effect,” Simon remarks, “is you open up the customer space, you improve the shopping experience, and you provide access and visibility to departments in the store that were previously difficult to shop.”

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Questions

1. How does managerial planning for Project Impact take place at different levels within the organization?

2. Using the concepts of strategic management and core competence, explain why Walmart is scaling back on “cheap chic” fashion apparel in its remodeled next-generation stores.

3. What started the decision-making process that led to the overhaul of Walmart’s U.S. stores? What common errors in decision-making could thwart the success of Project Impact?

World’s Top Employer Ranks High on Diversity and Employee Satisfaction—But Not Everyone “Hearts” Walmart

For the past decade, Walmart has ranked high on Fortune magazine’s list of “most admired companies,” and with good reason: No one creates more jobs for the economy or career opportunities for workers than Walmart.

With more than 2.1 million associates internationally, Walmart is the world’s largest employer. Job candidates famously brave long lines and travel long distances for an opportunity to work at the company’s new stores. The retailer’s 1.4 million U.S. hourly associates earn $11.75 per hour on average, and more than 80 percent of employees—including part-time workers—are eligible for health benefits. In addition, associates at Walmart receive approximately $2 billion each year in the form of bonuses, profit sharing, and 401(k) contributions. The greatest reason workers like Walmart? The company recruits from within—a full 75 percent of store managers joined the company as hourly associates before advancing to salaried management positions.

As is true of most multinational corporations, Walmart is highly diverse. The company employs more than 41,000 Asian associates, 171,000 Hispanic associates, 257,000 African-American associates, and 869,000 women associates. Management’s commitment to diversity is widely recognized among professional organizations—on gender diversity alone Walmart has received coveted kudos including “Top Companies for Female Executives” (National Association of Female Executives), “Best Companies for Multicultural Women” (Working Mother magazine), and “40 Great Organizations for Women of Color” (Women of Color magazine).

Despite these high accolades, not everyone is enamored of Walmart. The world’s top employer is also the world’s top target for special interest groups. Each year, well-funded political organizations including Association of Community Organizations for Reform Now (ACORN), MoveOn.org, United Food and Commercial Workers (UFCW), and Service Employees International Union (SEIU) run negative publicity campaigns in an attempt to pressure Walmart to unionize. The rough-and-tumble politicking finds its most visible expression in “Wake Up Wal-Mart” and “Wal-Mart Watch,” two Washington-styled anti-Walmart organizations led by campaign directors for former presidential candidates Howard Dean and John Kerry.

Dukes v. Walmart

Although opposition groups present low-grade image challenges for Walmart, the retailer is facing the mother of all human-resource-related threats in the form of Dukes v. Walmart, a $500 billion discrimination lawsuit billed as the largest class-action civil rights lawsuit in history.

The Dukes case began back in 2000, when California Walmart associate Betty Dukes complained that she was unfairly reprimanded and denied opportunities to advance in the company. Although Walmart reports that Ms. Dukes clashed with her female supervisor and was appropriately disciplined for violating lunch-break policies, five women joined the Dukes lawsuit in 2001, alleging a pattern of gender discrimination by the company.

The local incident, which initially posed a potential risk of millions of dollars in compensatory damages, morphed into a multibillion-dollar lawsuit overnight when a district judge gave the Dukes case “class-action” status—a certification upheld by the Ninth Circuit Court of Appeals in 2010. As a result of the class-action designation, Dukes v. Walmart is now a national lawsuit representing over 1.6 million female workers, going back to 1998, none of whom have brought individual discrimination complaints against the company.

Walmart denies violating the civil rights of the six female employees, but the individual cases are not on trial in a class-action suit. The trial now shifts to a broad examination of large companywide patterns of employment data, and plaintiffs’ attorneys are claiming that women, as a class, do not receive pay and promotions equal to men at Walmart. The legal framework is enigmatic, for it forces Walmart to defend statistical discrepancies regarding gender that exist nearly everywhere in the world of business. According to nationwide studies, women are not rising in middle- and upper-level management positions at the same percentages as men. To better understand the causes of workplace inequities, researchers study a range of issues, from voluntary extended leaves to the prohibitive relocation requirements of high-paying jobs. One Cornell researcher even found that full-time working spouses hamper women’s careers, mostly due to delicate work/life negotiations at home. These and other issues make climbing ladders more difficult.

In Walmart’s immediate context, disparities in pay or promotions may also be attributable to retail-related trends. For example, more men than women tend to apply for higher-paying dock jobs—a trend that skews numbers toward higher average pay for men. Likewise, more women than men tend to apply for lower-paying cashier positions—a trend that inadvertently skews averages down for women. Such imbalances are consistent throughout the retail industry and occur apart from any discrimination on Walmart’s part. Even so, the Dukes case, with its astronomical $500 billion penalty, is a potential company-killer. Walmart has appealed the class-action designation to the U.S. Supreme Court, in hopes of dealing with individual cases, not amorphous data trends of entire classes of people. Whatever the outcome may be, the Dukes trial is scheduled to resume in 2011 or 2012.

In the end, high-powered law firms, not Betty Dukes, have the most to gain from the lawsuit. While suing alone, Ms. Dukes might have won a multimillion-dollar award. But as one of 1.6 million female plaintiffs in a class, the Walmart associate is in line to receive just a few thousand dollars from a court victory. Walmart, on the other hand, stands to lose its business.

Meanwhile, back in Bentonville, Arkansas, spokesperson David Tovar reaffirms Walmart’s world-winning record on human resource management: “We are proud of our work to promote diversity at Walmart and are continually recognized for our efforts.”

Questions

1. Why does Walmart prefer to recruit new store managers from its large pool of hourly associates?
2. Explain how Walmart’s employee diversity benefits the organization. What are some challenges of diversity?
3. What federal laws govern the main legal issue raised in Dukes v. Walmart?

“Ordinary People” Do Extraordinary Things at Walmart

Give me a W! Give me an A! Give me an I! Give me a squiggly! Give me an M! Give me an A! Give me an R! Give me a T! What’s that spell? Walmart! Whose Walmart is it? It’s my Walmart! Who’s No. 1? The customer! Always!

The Walmart cheer is a powerful symbol of Walmart’s team spirit and business philosophy rolled into one. Sam Walton got the idea while watching workers perform a motivational cheer and group calisthenics at a Korean tennis ball factory. Seeing workers bond through a group activity impressed Walton, and the Walmart founder brought the routine back home to Arkansas.

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What might have fizzled or become an old piece of company trivia gained momentum, and today the Walmart cheer is a hit all over again at Walmart’s international stores. In Japan, associates shout, “Whose Seiyu is it? It’s My Seiyu.” In the U.K., “Whose ASDA is it? It’s my ASDA!” The translations differ, but in every place the message is the same: The customer is No. 1, always. Or as they shout in Argentina, “¡El Cliente Siempre!”

Walmart’s ongoing commitment to work and play is a reflection of Sam Walton’s own leadership style. The first Walmart leader once said, “Just because we work hard, we don’t have to go around with long faces.” And Mr. Sam meant it. The iconic American businessman famously donned a grass skirt and did a hula dance on Wall Street after losing a bet with top executive David Glass. Walton later recalled the event: “I thought I would slip down there and dance, and David Glass would videotape it so he could prove to everyone back at the Saturday morning meeting that I really did it; but when we got there, it turned out David had hired a truckload of real hula dancers and ukulele players—and he had alerted the newspapers and TV networks.”

Although clearly not prepared for his big premiere as a hula entertainer, Walton seized the moment: “I slipped on the grass skirt and the Hawaiian shirt and the leis over my suit and did what I think was a pretty fair hula. It was too good a picture to pass up, I guess—this crazy chairman of the board from Arkansas in this silly costume—and it ran everywhere.” To Walton, the stunt contained an important business lesson: “At Walmart, when you make a bet like I did … you always pay up.”

The good times continue at Walmart, and so do hard work and achievement. For many employees, seeing peers rewarded for a job well done proves highly motivational. In 2009, Shawnalyn Conner was one of hundreds of store managers selected to launch a next-generation Walmart store. Conner had joined Walmart as a temporary sales associate only a decade earlier, and now she was responsible for turning a 176,000-square-foot warehouse in Weaverville, North Carolina, into a decked-out retail operation complete with grocery, vision center, photo kiosk, pharmacy, and 30 merchandise departments. The newly minted manager got to work recruiting 350 new associates, and Conner initiated all hires with the same cheer she herself learned a decade earlier. “What we look for in a Walmart associate is someone who’s extroverted and loves to deal with customers,” Conner said about the recruiting effort. Not surprisingly, it is Conner’s own journey from temporary worker to leader of a $70-million-per-year store that interests trainees most. “I started with the company when I was 19,” Conner tells her recruits. “And to say now that I’m 31 and run a multimillion-dollar facility is amazing.” The message to the new employees is clear: Stick with Walmart and you’re going places. It’s the Walmart way.

Executives at Walmart refer to the company as one big family. There are no grunts or gophers—no employee, no matter how new, is thought of as low person on the totem. According to the company’s “open door” policy, all associates are encouraged to speak freely, share concerns, and express ideas for improving daily operations. In return, they can expect managers to treat all discussions fairly with an open mind. The policy is right out of Walton’s playbook. “Listen to your associates,” Walton urged. “They’re the best idea generators.” The founder’s wisdom is routinely reaffirmed through the oft-repeated quote that “nothing constructive happens in Bentonville”—a reference to Walmart headquarters. In Walton’s grass-roots ethic, local employees are the ones most likely to produce fresh ideas.

At the end of the day, managers at Walmart don’t look to superheroes to make the big play. The Walmart philosophy argues that whenever ordinary people act together to pursue common goals, they can achieve the extraordinary. “What makes ordinary people do extraordinary things?” Sam Walton once asked his people. “Aren’t we a group of ordinary folks? We really are. And I think we, together as a team, have done extraordinary things … we’ve all accomplished much more than any of us ever thought we could.”

**Questions**

1. What personality traits does Walmart look for in a job candidate? How might wrong perceptions lead managers to hire the wrong people?

2. How would you characterize the leadership of Walmart founder Sam Walton?

3. What tools does Walmart use to motivate employees? How might a lack of motivation affect associates and how should managers respond?

Saving the World through Supply Chain Management

Walmart's supply chain management is revolutionizing the world of business. The company's obsession with selling more merchandise more efficiently and at a lower cost than anyone is a powerful competitive advantage. In 2010, that advantage made the U.S. retailer the most successful business in the world.

In a sense, supply chain management is Walmart's business. As one Walmart executive explains, “The misconception is that we’re in the retail business. We’re in the distribution business—it’s Walmart’s job to bring product from the dock to the customers’ trunks in as little as 72 hours.” Founder Sam Walton agreed: “The efficiencies and economies of scale we realize from our distribution system give us one of our greatest competitive advantages.”

To achieve its superior efficiency, Walmart employs tactics ranging from buying in bulk to optimizing the number of stores served by a single distribution center. The path to perfect logistics requires more than teams of savvy efficiency experts, however: It requires automation. Like many retailers, Walmart introduced computers in the 1970s. But in the 1980s, Sam Walton made an unprecedented move: He purchased a satellite communications system and established electronic linkages with suppliers, using Retail Link, the company's sales and inventory database. Paper-based purchase orders and invoices were soon replaced by electronic data interchange (EDI), and radio-frequency identification (RFID) tags began tracking inventory shipments from manufacturers' warehouses to Walmart's stores. This automated end-to-end system kept products flowing to Walmart's shelves at the right time and in quantities suited to customer demand.

But in recent years, Walmart has begun using its value chain for unusual and innovative tasks. In 2005, Hurricane Katrina ravaged the Gulf coast, leaving 1,800 people dead and thousands more homeless. Although the storm caught many relief agencies off guard, Walmart was a standout hero. As the Category 5 storm approached Louisiana, Walmart's Emergency Operations Center ordered that area stores be stocked with water, food, generators, and other supplies. Days later, as news agencies began reporting that levee waters had deluged New Orleans and surrounding regions, Walmart sprang into action; managers quickly coordinated an emergency response effort that delivered $17 million of resources and shelters for displaced citizens. Displaced employees were relocated to other stores, and flood-damaged facilities were recovered and made into makeshift food banks for stranded citizens. The response was so effective that many evacuees concluded they were better off dealing with Walmart than with ham-handed government agencies. Harry Lee, the sheriff of Jefferson Parish, remarked, “If the federal government would have responded as quickly as Walmart, we could have saved more lives.”

The post-disaster headline in Fortune magazine said it all: “The Only Lifeline Was the Walmart.”

Today Walmart is at it again; only this time management wants to use operations to solve world hunger. In partnership with the nation's top food banks, Walmart is using its advanced transport methods to deliver 1.1 billion pounds of non-saleable food—including fresh produce, meats, and dairy—to hungry U.S. citizens. The $2 billion charity initiative, dubbed “Fighting Hunger Together,” is made possible because of Walmart’s freeze distribution method and special refrigeration trucks. “We’ve learned how to fast-freeze things like meat and dairy,” said Margaret McKenna, president of the Walmart Foundation. “You can’t put 100 pounds of bananas on a truck that isn’t refrigerated and expect them to be edible for long.” McKenna adds, “As the largest grocer in the country, we need to be a leader in the solution to this problem.” When it comes to tackling the problem of hunger, size matters: “Increasingly, we see opportunities to use our scale and reach to solve challenges in our communities,” said Vice Chairman Eduardo Castro-Wright.

If Walmart can use its supply chain management to rescue flood victims and tackle hunger, why not save the planet? Managers are working on it. In the next decade, Walmart will transition to 100 percent renewable energy, eliminate all waste to landfills, and sell products that offer measurable benefits to the natural environment. The retailer's sustainability targets are impressive: “double truck fleet fuel efficiency in ten years,” “slash greenhouse gas emissions by 20 percent in seven years,” and “eliminate 20 metric tons of CO₂ emissions from Walmart’s supply chain in five years.” To meet these targets, Walmart is purchasing wind and solar energy systems, designing sustainable buildings, mapping ultra-efficient driving routes, and recycling all plastic waste through a Super Sandwich bailing process. Moreover, to help customers go green, Walmart R&D teams are pioneering a Sustainability Index to measure the greenness of every item sold in stores. In partnership with a university-backed Sustainability Consortium, researchers are studying how individual products affect the environment. Once objective environmental standards are set, Walmart will provide a
Appendix B

label for every product, allowing customers to evaluate green benefits in the same way they evaluate nutrition benefits through food labeling.

As with Walmart’s hunger initiative, size makes the task possible. “The environmental advantages come straight from our size,” Chairman Lee Scott explained to Greenpeace newsletter readers. “As the world’s largest retailer, we’re in thousands of communities around the USA and 15 other countries. We buy products from more than 60,000 suppliers in 70 countries. We sell anywhere from 35,000 to 100,000 product lines in each of our 6,000-plus stores and clubs. … Our size and scale mean that even one small pro-environment change in our policies or our customers’ habits has exponential impacts all over the world.” To illustrate, Scott tells how managers reduced the packaging size of one line of toys and in doing so saved more than 5,000 trees and 1,300 barrels of oil. He adds that improving fuel efficiency by just one mile per gallon enables Walmart’s trucking fleet to save $52 million of fuel annually.

What about profits? Has Walmart become a charity organization? Not at all, says Lee Scott. The popular chairman insists that Walmart approaches sustainability entirely from the standpoint of business, not altruism.

According to Scott and other executives, sustainability produces massive cost reductions, making Walmart more competitive. Because energy is Walmart’s No. 2 operating expense, big cuts in energy usage mean big savings for Walmart and lower prices for consumers. Matt Kistler, Walmart’s senior vice president of sustainability, sees a natural synergy between profits, people, and the planet: “Sustainability continues to make us a better company by reducing waste, lowering costs, driving innovation, and helping us fulfill our mission to save people money so they can live better.”

Questions

1. Does Walmart’s use of automation and information technology eliminate the need for workers and managers? Explain.
2. How will the creation of a Sustainability Index help Walmart manage quality and performance?
3. Why do Walmart managers set goals such as “double fleet fuel efficiency in ten years” and “cut greenhouse gas emissions by 20 percent in seven years”? Explain how managers would use the feedback control model to reach those goals.