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STAFFING WAL-MART STORES, INC. (A)[1]

Ken Mark prepared this case under the supervision of Professor Alison Konrad solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

INTRODUCTION

In 2003, an executive vice-president (EVP) at Wal-Mart Stores, Inc. (Wal-Mart), wondered about Wal-Mart's employment equity record. For the past few years, Wal-Mart consistently appeared on Fortune's list of the 100 best companies to work for in the United States, most recently ranking 94 in 2002. Although the EVP was aware of several lawsuits against the company alleging gender discrimination, Wal-Mart's published practices indicated that the organization was committed to fair practices. The EVP wondered what employment-related information should be requested from the People Division.

WAL-MART STORES, INC.

In 2002, Wal-Mart was the world's largest employer and the world's largest company. With net income of US$8 billion on sales of US$247 billion, Wal-Mart was the subject of countless newspaper features and journal articles praising its dominance and success. For a look at Wal-Mart's selected financial information, see Exhibit 1. One of the many reasons for this success was that, unlike its retail counterparts in the grocery industry, Wal-Mart remained a non-unionized

[1]This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in this case are not necessarily those of Wal-Mart Stores, Inc. or any of its employees.

company, working incessantly to fend off organizing attempts in the United States and around the world.

Wal-Mart's Workforce

Available data showed that by 2001, Wal-Mart employed 930,000 people in its domestic U.S. stores, and this employment figure was up 50 per cent since 1996. But during the same period, the percentage of women employed decreased from 67 per cent to 64 per cent. The number and composition of people at Wal-Mart was of keen interest to company officials because of the sheer size of their workforce and how employment costs affected the company's financials. Analysts who examined the company's stores and financial performance estimated that payroll expenses accounted for 50 per cent of Wal-Mart's total operating, selling, general and administrative expenses.

At Wal-Mart, there were retail store employees (including hourly and salaried workforce), the store management, and high-level managers such as district managers and regional vice-presidents (see Exhibit 2). In 2001, management employees earned about $50,000 on average while hourly employees earned $18,000.

Operations

There were four types of domestic retail stores at Wal-Mart in 2002: discount stores, supercentres, SAM's Club, and Neighborhood Markets. A quick overview of key 2001 store statistics is provided in Exhibit 3.

There were five levels of operations at Wal-Mart:

Level	**Description**
Corporate	Total Wal-Mart including domestic and international
Division	Division One stores (discount stores, supercentres, Neighborhood Markets) and SAM's Club make up Wal-Mart's two key domestic divisions
Region	There were 41 regions in the United States
District	Each region contained five to six Districts on average
Store	Each District contained 10 to 15 stores

Corporate-wide human resource policy was the responsibility of Wal-Mart's People Division. Primary and secondary people policy committees met with representatives from each of the company's operating divisions and representatives from home office in Bentonville, Arkansas, to formulate policies. This process was overseen by the EVP of the people division. The EVP described his duties as "overall responsibility for getting, keeping and developing Wal-Mart talent worldwide." He reported to Wal-Mart's president and chief executive officer (CEO) and sat on the corporate executive committee. The company's senior human resource executives all had "dotted-line" reporting relationships to the EVP of the People Division. For example, the senior vice-president of People for the SAM's Club division would report both to the president of that division and to the EVP of the People Division.

Human Resources Reporting Relationships for Domestic Divisions

Wal-Mart had similar human resources (HR) policies across its domestic divisions, i.e., Division One and SAM's Club. The HR function was organized hierarchically: in Division One, the over 2,600 stores were organized into five or six divisional areas, with five or six regions within each area, and 80 to 85 stores within each region. Each store had an hourly employee, the personnel manager, who co-ordinated hourly recruiting and performed payroll functions. Thirty-five regional personnel managers (RPM) based in Bentonville oversaw these personnel managers. These RPMs reported to one of three People Directors in the home office; in turn, these People Directors reported to the vice-president of People at Division One.

The company had a computerized information system that made personnel policies and guidelines available to its staff. In addition to relying on information generated by reports at store, district, regional and divisional levels, store visits by district managers and RMP were frequent; district managers visited stores once every two weeks and RPMs visited stores weekly. Reports from each visit were immediately submitted to the regional vice-president.

Organizational Culture

Wal-Mart prided itself on its strong culture, with numerous references to Sam Walton's personal biography, the history of the company and how Walton's personal values became core beliefs for the company. Wal-Mart public information indicated that its customer-focused culture stemmed from the company's pursuit of everyday low prices (EDLP) and "genuine customer service." Founder Sam Walton had three basic beliefs on which the company was built: Respect for the individual; Service to Our Customers; and Strive for Excellence. In addition, there were two key "rules" at Wal-Mart that supported the three basic beliefs: the sundown rule (attending to requests the same day they were received); and the Ten-foot Rule (offering greetings whenever one was within 10 feet of a customer). In his autobiography, Walton outlined his Rules For Building A Business (see Exhibit 4)

New employees learned the "Wal-Mart Way" by viewing videos about the company's history, completing computer-based learning modules about elements of the culture and reading the associate handbook. At each store, a daily meeting, held at shift changes, allowed managers to discuss company culture and encourage employees to perform the Wal-Mart cheer.

The company indicated in its promotional literature that it received letters from customers praising individual associates for exceptional service, citing examples of employees who had gone above and beyond the call of duty. Walton had once asked associates to practice what he called "aggressive hospitality" — striving to be the most friendly, giving better service over what customers expected, and generally exceeding customers' expectations. This hospitality also extended to the community in which Wal-Mart operated. The company frequently provided charitable assistance, raised funds for organizations and provided scholarships to students.

Ongoing training for store managers and home office employees consisted of weekly Saturday morning meetings (the first meeting of the month was devoted to a culture topic). In addition, instruction and orientation on the Wal-Mart culture was given to managers at all levels of the company.

Rewards and Promotions

Annual pay increases were tied to performance evaluation ratings, with a percentage increase guideline specified by the home office. Typically, an annual merit increase of four per cent or five per cent was the maximum given, although this amount could not be granted within 90 days of an annual performance increase or raise due to promotion.

Before 1998, higher-level jobs were not posted. In 2002, these and any other openings were typically posted at stores and were usually available online, but there were exceptions. Store managers could circumvent this process and rely on filling positions with lateral moves. In addition, store managers had the authority to waive minimum requirements regarding time in current position in order to promote employees.

When employees were promoted to higher-level jobs, there was an implicit expectation that they would be moved to other stores, districts or regions, as much as business need required. For example, a district manager in Northern California asked employees applying for the management training program to certify in writing that they were willing to transfer "to any location within the Wal-Mart trading area" to receive training and were willing to relocate post-training. A former regional vice-president required co-managers to be open to relocate "whenever and wherever we need them." See Exhibit 5 for relocation statistics by job type.

In the late 1980s, Wal-Mart implemented and formalized a policy of creating resident assistant manager positions for individuals who were eligible to be assistant managers but were not able to relocate. These resident assistant managers could move into co-manager positions without relocating. One company official stated that the program had been phased out by 2002. Another official stated that the program still existed but only on an "as requested" basis.

In his 1992 autobiography, Sam Walton discussed the changes he had made to his original management philosophy of requiring managers to be extremely flexible:

> Maybe that was necessary back in the old days (that one had to be ready to relocate on a moment's notice to move into management), and maybe it was more rigid than it needed to be. Now, though, it's not really appropriate anymore for several reasons. First, as the company grows bigger, we need to find more ways to stay in touch with the communities where we operate, and one of the best ways to do that is by hiring locally, developing mangers locally, and letting them have a career in their home community — if they perform. Second, the old way really put good, smart women at a disadvantage in our company because, at the time, they weren't as free to pick up and move as many men were. Now I've seen the light on the opportunities we missed out on with women.[2]

ADDRESSING DISPARITIES

Wal-Mart established the goal that the percentage of women employed should reflect the community — 50 per cent of the workforce. This was a well-known target throughout the organization, and all managers insisted they were aware of it and were striving to meet it. In fact, numerous company memos since 1999 had raised the issue of employment equity and urged managers to address inequalities if they existed.

The executive vice-president wanted to know what types of information should be requested to evaluate the state of Wal-Mart's employment practices. Simply asking for "everything" would be illogical as there were literally thousands of documents that could be retrieved, requiring months, if not years, to sift through.

[2]*Sam Walton, "Sam Walton with John Huey" Made in America, Bantam Books, New York, 1992.*

Exhibit 1

WAL-MART HISTORICAL FINANCIALS
(years ending January 31)
(US$ millions, except per share data)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Selected Financial Information										
Net revenues	67,977	83,398	94,765	106,152	119,248	139,025	166,628	193,116	219,671	246,525
Cost of sales	53,444	65,586	74,505	83,510	93,438	108,725	129,664	150,255	171,562	191,838
Operating, selling and general and administrative expenses	10,333	12,858	15,021	16,946	19,358	22,363	27,040	31,550	36,173	41,043
Net income	2,333	2,681	2,740	3,056	3,526	4,430	5,377	6,295	6,671	8,039
Shareholders' equity	10,753	12,726	14,756	17,143	18,503	21,112	25,834	31,343	35,102	39,337
Return on shareholders' equity	21.7%	21.1%	18.6%	17.8%	19.1%	21.0%	20.8%	20.1%	19.0%	20.4%
Total number of associates (000)	528	622	675	728	825	910	1,140	1,244	1,383	1,400
Shares outstanding (millions)	2,299	2,298	2,294	2,266	2,240	4,450	4,454	4,470	4,451	4,386
Book value per share	4.68	5.54	6.43	7.57	8.26	4.74	5.80	7.01	7.89	8.97

Source: Company files.

Exhibit 2

JOB HIERARCHY AT WAL-MART

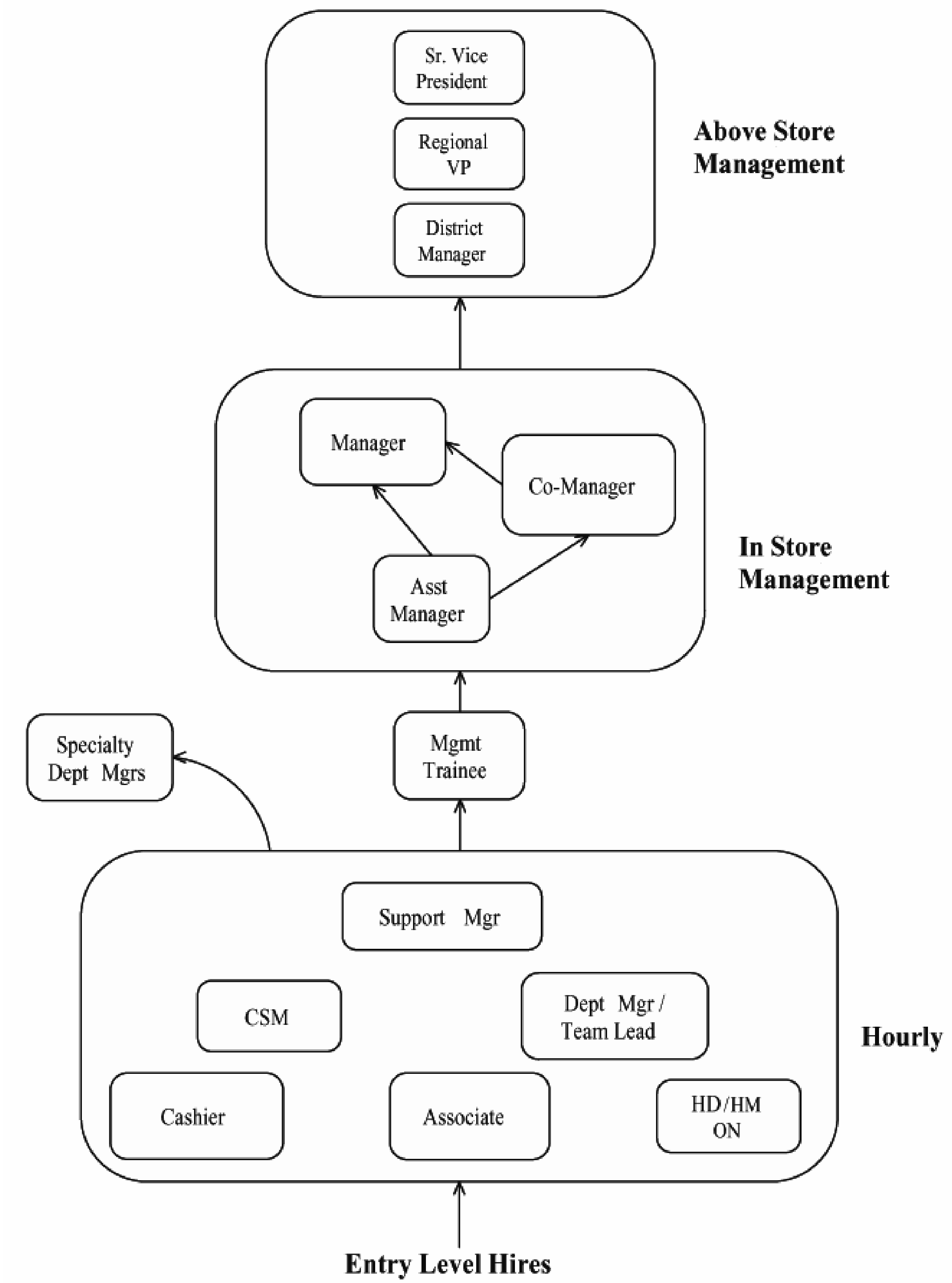

Exhibit 3

2001 STORE STATISTICS

Store Type	Division	Number of Domestic Stores	Average Size (in Square Feet)	Annual Sales per Store (US$ Millions)	Operations Expense (% of store sales)	Average Number of Employees per Store (Estimate)	% of Workforce Full-time
Discount Stores	Division One	1,736	125,000	39	15.0	207	85
Supercenters	Division One	888	200,000	75	15.7	540	85
SAM's Club	SAM's Club	475	135,000	60	14.5	172	85
Neighborhood Markets	Division One	19	30,000	14	16.0	81	85

Source: Company files.

Exhibit 4

SAM'S RULES FOR BUILDING A BUSINESS

Rule 1

Commit to your business. Believe in it more than anybody else. I think I overcame every single one of my personal shortcomings by the sheer passion I brought to my work. I don't know if you're born with this kind of passion or if you can learn it. But I do know you need it. If you love your work, you'll be out there every day trying to do it the best you possibly can, and pretty soon everybody around will catch the passion from you — like a fever.

Rule 2

Share your profits with all your Associates, and treat them as partners. In turn, they will treat you as a partner, and together you will all perform beyond your wildest expectations. Remain a corporation and retain control if you like, but behave as a servant leader in a partnership. Encourage your Associates to hold a stake in the company. Offer discounted stock, and grant them stock for their retirement. It's the single best thing we ever did.

Rule 3

Motivate your partners. Money and ownership alone aren't enough. Constantly, day-by-day, think of new and more interesting ways to motivate and challenge your partners. Set high goals, encourage competition, and then keep score. Make bets with outrageous payoffs. If things get stale, cross-pollinate; have managers switch jobs with one another to stay challenged. Keep everybody guessing as to what your next trick is going to be. Don't become too predictable.

Exhibit 4 (continued)

Rule 4

Communicate everything you possibly can to your partners. The more they know, the more they'll understand. The more they understand, the more they'll care. Once they care, there's no stopping them. If you don't trust your Associates to know what's going on, they'll know you don't really consider them partners. Information is power, and the gain you get from empowering your Associates more than offsets the risk of informing your competitors.

Rule 5

Appreciate everything your Associates do for the business. A paycheck and a stock option will buy one kind of loyalty. But all of us like to be told how much somebody appreciates what we do for them. We like to hear it often, and especially when we have done something we're really proud of. Nothing else can quite substitute for a few well-chosen, well-timed, sincere words of praise. They're absolutely free — and worth a fortune.

Rule 6

Celebrate your successes. Find some humor in your failures. Don't take yourself so seriously. Loosen up, and everybody around you will loosen up. Have fun. Show enthusiasm — always. When all else fails, put on a costume and sing a silly song. Then make everybody else sing with you. Don't do a hula on Wall Street. It's been done. Think up your own stunt. All of this is more important, and more fun, than you think, and it really fools the competition. "Why should we take those cornballs at Wal-Mart seriously?"

Rule 7

Listen to everyone in your company. And figure out ways to get them talking. The folks on the front lines — the ones who actually talk to the customer — are the only ones who really know what's going on out there. You'd better find out what they know. This really is what total quality is all about. To push responsibility down in your organization, and to force good ideas to bubble up within it, you must listen to what your Associates are trying to tell you.

Rule 8

Exceed your customers' expectations. If you do, they'll come back over and over. Give them what they want — and a little more. Let them know you appreciate them. Make good on all your mistakes, and don't make excuses — apologize. Stand behind everything you do. The two most important words I ever wrote were on that first Wal-Mart sign, "Satisfaction Guaranteed." They're still up there, and they have made all the difference.

Exhibit 4 (continued)

Rule 9

Control your expenses better than your competition. This is where you can always find the competitive advantage. For 25 years running — long before Wal-Mart was known as the nation's largest retailer — we ranked No. 1 in our industry for the lowest ratio of expenses to sales. You can make a lot of different mistakes and still recover if you run an efficient operation. Or you can be brilliant and still go out of business if you're too inefficient.

Rule 10

Swim upstream. Go the other way. Ignore the conventional wisdom. If everybody else is doing it one way, there's a good chance you can find your niche by going in exactly the opposite direction. But be prepared for a lot of folks to wave you down and tell you you're headed the wrong way. I guess in all my years, what I heard more often than anything was: a town of less than 50,000 population cannot support a discount store for very long.

Source: www.walmart.com, accessed June 5, 2003.

Exhibit 5

RELOCATION STATISTICS BY JOB TYPE

Percent of Promotions Where Employee Changes Store, District, or Region 1996 and later

Target Job	Changed Store	Changed District	Changed Region
Store Manager	91.2%	69.4%	35.6%
Co-Manager	81.3	57.0	32.6
Assistant Manager	63.3	40.2	22.0
Management Trainee	62.2	32.5	17.0
Area Manager, SAM's	17.4	5.4	2.8
Support Manager	4.8	7.6	6.0

Average Number of Changes in Store, District and Region After Entering Store Management Jobs

Target Job	Changed Store	Changed District	Changed Region
Store Manager	3.6	2.8	1.7
Co-Manager	3.0	2.2	1.3
Assistant Manager	2.8	2.0	1.2
Management Trainee	3.0	2.0	1.2
Area Manager, SAM's	1.2	0.6	0.5
Support Manager	0.8	0.6	0.4

Source: Richard Drogin, "Statistical Analysis of Gender Patterns in Wal-Mart Workforce," Drogi, Kakigi & Associates, February 2003.