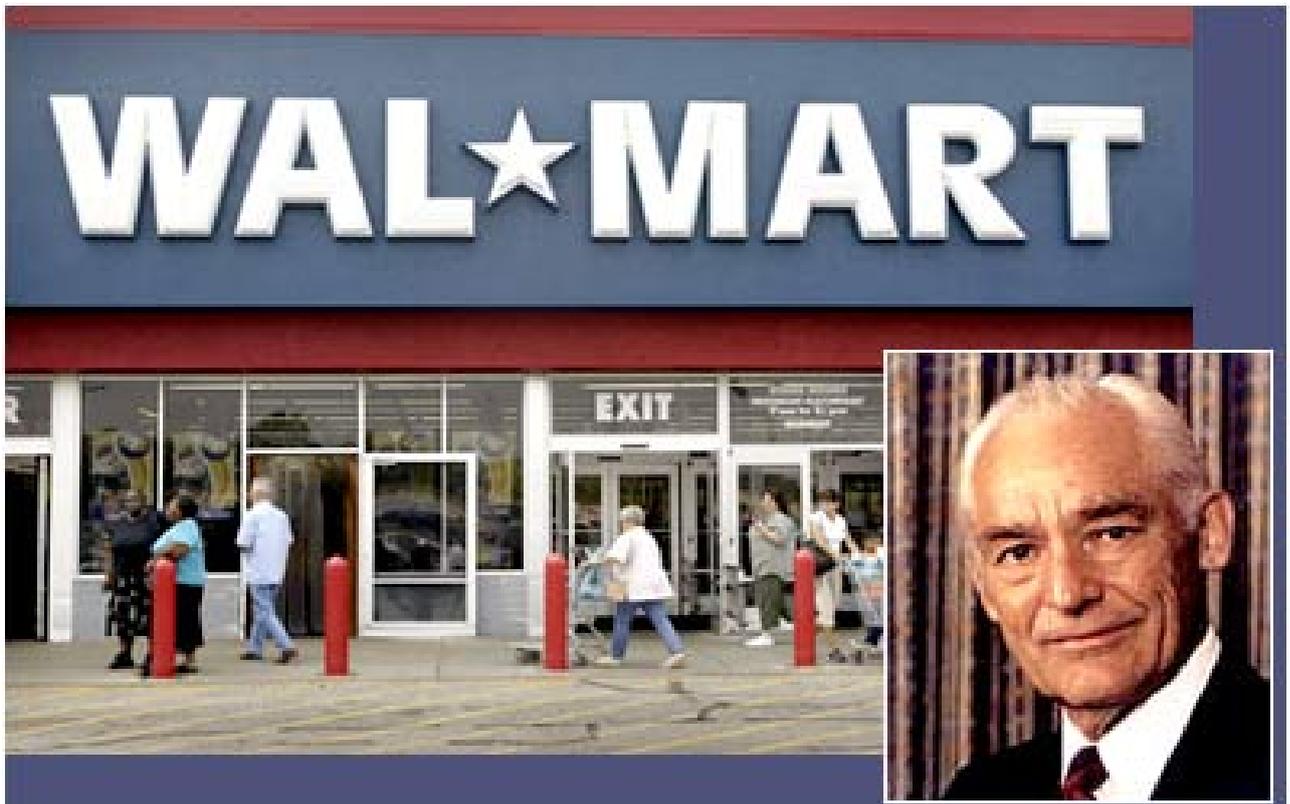


*"I was asked what I thought about the recession.*

*I thought about it and decided I did not want to take part."*

*Sam Walton –  
Founder of Wal-Mart*



## **SAM WALTON: THE EXEMPLARY RETAIL LEADER (CASE STUDY)**

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### ***ABSTRACT***

*This is an in depth case study of the leadership styles and qualities of Mr. Sam Walton, the founder of Wal-Mart, with a detailed view of his life and career as well as path to success. The author declares that this particular case study has not been intended to indicate strengths / weaknesses of any particular individual or organization over a period of time; and has been developed solely for teaching and classroom discussion in the academic area of organizational leadership.*

Keywords: Leadership; Retail; Walmart

*“Walmart as we know it today evolved from Sam Walton’s goals for great value and great customer service. “Mr. Sam,” as he was known, believed in leadership through service. This belief that true leadership depends on willing service was the principle on which Walmart was built, and drove the decisions the company has made for the past 50 years. So much of Walmart’s history is tied to the story of Sam Walton himself, and so much of our future will be rooted in Mr. Sam’s principles.”*

-Mr. Rob Walton, Son of Mr. Sam Walton (CEO Wal-Mart)

*"I've known Sam since his first store in Newport, Arkansas, and I believe that money is, in some respects, almost immaterial to him. What motivates the man is the desire to absolutely be on top of the heap. It is not money. Money drives him crazy now. His question to me at 6 A.M. not long ago was 'How do you inspire a grandchild to go to work if they know they'll never have a poor day in their life?'"(1987)*

-Mr. Charlie Baum, Early Wal-Mart partner (and friend of Mr. Sam Walton)

*“Walton created an unbelievable design. One of the major reasons they have survived is because they have treated the management and the family as two separate entities.”*

-Mr. Kishore Biyani, (CEO Future Group, India)

### **The motivation to choose Mr. Sam Walton as a Leader**

The retail sector has seen an upsurge, doing extremely well even with the global turmoil hitting the economies worldwide. The company that has always been worth noticing at such times of recession is Wal-Mart. Some leaders are born charismatic, some are heirs to thrones of large corporate houses, and some leaders have insight and spirit. Then there is Mr. Sam Walton. The man who grew up in the adversities of post-World War II depression knew the worth of money. His first quality was not that of a visionary or that of an excellent businessman but that of empathy. Empathy towards an America that was striving in depression and was booming post war and the passion and diligence to do something worthwhile to support his family made Sam Walton start off a business with a mere loan of \$20000 dollars from his father in law.

This paper will view how Sam Walton developed various qualities of leadership and how each of these qualities and his commitment towards his employees made him one of the greatest businessmen globally and a great corporate leader, the enthusiasm and teachings of who are followed by organizations worldwide.

In context to India where the retail industry is still in a nascent stage Wal-Mart's entry is going to be a massive game changer for the Indian retail business. Hence it would be a good time to draw analogies between Mr. Sam Walton and Mr. Kishore Biyani (founder of the Future Group), who is touted as the “Sam Walton of India” by many.

A deep study on the life and leadership strategies of Mr. Sam Walton will lead to the development of ideas that would help Indian retailers understand Wal-Mart and the man who created retail history.

Sam Walton's first store was a second-rate store in a second-rate town in what no one would have classified as a first-rate state. Millions, literally, of small stores failed during the course of the twentieth century in America. There were about 1.7 million retail establishments in the United States in 1945. Walton was responsible for a lot of the success. His vision of a discount retail store in rural areas was accompanied by the founder's hard-charging, demanding style. Even in the grips of a recession, Walton's stores proved successful. In 1991, as the country was mired in an economic downturn, Wal-Mart increased sales by more than 40 percent. But that success also made Wal-Mart a target, especially for small-town merchants and other residents who argued the giant chain was wiping out a community's smaller stores and downtown retail.

## **Early life**

In the era when the world would shun the idea of discount stores selling goods to the so called semi urban America, one man stood up against all odds and taught America how to save each and every cent they earned keeping the goals of his business intact. Sam Walton was a man who took chances and moved against the tide. All through his life he has fought an uphill battle and in the end he won. Sam Walton was a leader not a follower.

Sam Walton grew up during the depression and knew that hard work and thrift were a way of life. Sam was described as to be industrious, always trying to get the most out of money, and had a burning ambition to succeed. This is all apparent by how he helped his family through the depression, started his own business from almost nothing, and how he changed the field of management.

Sam Walton was born on March 29, 1918 to Thomas Gibson and Nancy Lee Walton near Kingfisher, Oklahoma. In Oklahoma, they owned and lived on a farm until 1923. His college fraternity brothers gave him the nick-name "Hustler". The Walton's then decided that the farm was not profitable enough to raise a family on. So, Sam and Jame's (Sam's younger brother born in 1921) dad decided he would go back to being a Farm Loan Appraiser. Once this job started the Walton family moved out of Oklahoma and moved from town to town in Missouri. When Sam was in 8th grade at Shelbina he became the youngest boy in the state's history to become an Eagle Scout and this was only a start of his many of accomplishments.

## **Educational Background**

As Sam Walton grew up he was always an ambitious boy. He attended Hickman High School in Columbia there he played basketball and football, in which he was the starting quarterback for the football team and lead them to the state title in 1935. Besides being athletic he was also a political figure at school, too. He served as Vice- President of his Junior Class and President of the Student Body his senior year. Along with his education he also had to help support his family, along with his father and brother because money was lacking due to the depression. Sam's job was to milk the family cow, bottle the milk and then deliver the surplus to customers and then deliver newspapers afterwards. When he graduated from high school he was voted the "Most Versatile Boy" in his class. During this time it would have been easy for him to just give up on school and go to work full time. Seeing though how his family was struggling to make ends meet, he decided he was going to stay in school and attend the

University of Missouri. At the University of Missouri Sam majored in Economics. He could not really afford to attend school so he waited tables in exchange for meals, life-guarded at the school pool, and also delivered newspapers.

While he was not doing that he was either at his fraternity in which he was an officer, or at a student government meeting since he was a member of the student senate, or fulfilling his duties as an ROTC Officer, and then on Sundays he was President of a Sunday School Class in which many of his fellow classmates attended. While accomplishing all this he was also in the National Honor Society. When Sam Walton graduated in 1940 he was voted the permanent President of his class. Following graduation, he aspired to attend the Wharton School of Business but quickly found he couldn't afford it. He instead took a job as a manager trainee at J.C. Penney. Today, the Walton College of Business at the University of Arkansas bears his name.

### **Early Retail Career**

Following college, Walton got his first real taste of the retail world when took a job in Des Moines with the J.C. Penney Company, which was still a relatively small retailer. Soon after his brush with the retail sector Walton joined the military in the US Army Intelligence Corps, where he supervised security at aircraft plants and prisoner of war camps, eventually **reaching the rank of captain**. In the year 1945 he left the military with the ambition of opening a department store, and so with the help from his father in law and his own savings Walton bought a Ben Franklin variety store from the Butler Brothers franchise in Newport, Arkansas. When he left the army three years later, Walton was married, had a child, and decided to start his own business to support his new family. With the \$5,000 that he had saved along with a \$20,000 loan from his wife's father, he purchased a Ben Franklin variety store in Newport, Arkansas. Walton was 27 years old.

It was here that Walton pioneered many concepts that would prove to be crucial to his success. Walton made sure the shelves were consistently stocked with a wide range of goods. His second store, the tiny "Eagle" department store, was down the street from his first Ben Franklin and next door to its main (Newport) competitor. Walton leased the space mainly to preempt his competitor from expanding. It held its own, but didn't fare as well.

### **Setbacks faced by Mr. Sam Walton**

"I felt sick to my stomach. I couldn't believe it was happening to me. It was really like a nightmare. I had built the best variety store in the whole region and worked hard in the community—done everything right—and now I was being kicked out of town. It didn't seem fair. I blamed myself for getting suckered into such an awful lease, and I was furious at the landlord. Helen, just settling in with a brand-new family, was heartsick at the prospect of leaving Newport. But that's what we were going to do."

-Mr. Sam Walton on the expiry of his lease of the first store

However the success of the first Ben Franklin drew the attention of the landlord, P.K. Holmes, whose family had a history in retail. Admiring Sam's great success, and desiring to reclaim the store (and franchise rights) for his son, he refused to renew the lease. The lack of a renewal option, together with the outrageous rent of 5% of sales, was early business lessons to Walton. Despite forcing Walton out, Holmes bought the store's inventory and fixtures for \$50,000, which Walton called "a fair price".

### **Bentonville Store Expansions**

With a year left on the lease, but the store effectively sold, he, his wife Helen and his father managed to negotiate the purchase of a new location on the downtown square of Bentonville, Arkansas. Walton negotiated the purchase of a small store, and the title to the building, on the condition that he gets a 99 year lease to expand into the shop next door. The owner of the shop next door refused 6 times, and Walton had thus given up on Bentonville when his father in law, without Sam's knowledge, paid the shop owner a final visit, and \$20,000 to secure the lease. (He had just enough from the sale of the first store to close the deal, and reimburse Helen's father.)

Before he bought the Bentonville store, it was doing \$72,000 in sales. After the expansion, and 5 years under Walton, it was doing \$250,000 in sales annually. With the new Bentonville "5 and Dime" opening for business and, 220 miles away, a year left on the lease in Newport, the cash strapped young Walton had to learn to delegate responsibility.

After succeeding with two stores at such a distance, (and with the post war baby boom in full effect,) Sam became gung-ho to scout more locations, and open more Ben Franklin franchises. (Also, having spent countless hours behind the wheel - with his close brother James "Bud" Walton having been a pilot in the war - he took a shine to the idea of buying a small plane. Both would later become accomplished pilots, and log thousands of hours scouting locations, and rolling out the family business.)

### **Giving up the Bentonville Franchisee**

Walton's revolutionary plan was to have large superstores in rural towns that discounted a wide variety of products. His initial approach was to Ben Franklin. They turned him down as they did not like the idea of operating with lower margins. Without a large company behind him, Walton opted to go it alone. In 1962, he mortgaged his home and borrowed against everything he owned to open his first Wal-Mart in Rogers, Arkansas, a neighboring town of Bentonville. Excited about the prospects of getting discounts and selection that were previously only obtainable in the cities, rural customers came out in droves to his store.

### **Wal-Mart: Building an Empire**

In 1951 before leaving the store Sam arranged to lease another store in Bentonville, Arkansas as another Ben Franklin franchise but called his new store the Walton's Five and Dime. Sam

kept very busy serving as president of the local rotary club and chamber of commerce, sat on the city council and the hospital board and launched a little league baseball program. Walton started yet another store in Fayetteville, Arkansas in 1952 with the same Walton's Five and Dime name but wasn't a Ben Franklin Franchise. The store became as successful as the first Five and Dime. Walton used a technique of nosing around other stores looking for good employees which turned up Willard Walker, a manager of the TG&Y variety store. Always the pioneer Walton did another usual thing at the time by offering Walker a percentage of the stores profit now known as profit sharing. Walton soon made the decision to move the checkout counters to one location near the exit; customers could now pay for all goods at the one location at the same time. Sam Walton was made sure his stores were clean well lit and kept loyalty high with his employees by profit sharing. He continued to open stores in all directions with the help of his brother, father in law and brother in law but decided to open larger stores called Walton's Family Centre. Sam allowed his managers to be limited partners by investing in their store and any new stores that opened to give them motivation to maximize profits. Walton and his brother Bud owned 16 variety stores across Arkansas, Missouri and Kansas.

On July 2, 1962, in Rogers, Arkansas, Walton opened his first discount store, under the Wal-Mart name. The idea of a discount store is to sell a lower line of goods than a regular department store, but also to sell many of the same goods as regular department stores, at a cheaper price. The success of his first store allowed him to expand and by 1969 he had 18 Wal-Marts in Arkansas and Missouri. From this beginning Sam Walton pioneered some concepts that are still used today to make his business a success including a wide variety of low priced goods, keeping his store open longer than most other stores and buying goods in large quantities from the lowest priced wholesaler to pass on savings to customers. With cheap prices came large sales volume which allowed him to purchase even cheaper wholesale goods from his suppliers, leading to his store to be the most profitable franchise store in the whole six state region.

It required cost-accounting "savings." The discount store could find some efficiencies of scale, and also operate at a lower profit margin per unit good than a regular department store. But primarily, Walton used two tactics, with regard to labor and suppliers.

First, he resolved to pay his workers less, ferociously resisted any unionization, and restricted most of his workers to working no more than 28 hours per week, which would mean they would not qualify for employee benefits—and would never be able to earn a living wage. He offered some of them health benefits, but most did not earn enough to purchase the health insurance. Though the myth arose that this policy became prevalent only after Walton's April 1992 death, the fact is that Mr. Sam enforced it from day one. Wal-Mart workers earn wage and benefit packages that are 12-30% below those paid to workers in comparable jobs at unionized companies, depending on the job classification. During most of Sam Walton's reign, Wal-Mart had a worker turnover rate of an incredible 35-45%.

Second, Walton instituted a policy that suppliers would have to sell goods to Wal-Mart at constantly lower prices, forcing them to cut expenses, which frequently meant cutting wages of their own workers and/or layoffs. Eventually, this led to these suppliers outsourcing their

production to overseas sweatshops, a policy that started to gain steam in the 1980s under Sam Walton's direction.

Funded solely through debt and reinvested profits, Walton decided that in 1970 he would take the company public. The IPO raised \$5 million and Walton retained 61 percent of the company. The money was used to settle the company's debts and fuel further expansion. By 1980, 276 Wal-Marts were operating.

An integral component of Wal-Mart's success was its leveraging of new technologies to improve efficiencies and save costs. Walton knew that the key to success in a low margin business was to rigidly control his costs. Wal-Mart was, for example, one of the first major retailers to use electronic scanners at the registers which tied to an inventory control system so they could know immediately which items were selling well and needed to be re-ordered.

The success of his Wal-Mart stores led Sam to another idea - Sam's Wholesale Clubs. These would be discount stores that sold to small business owners in bulk. The idea was another big hit for Walton and by 1985 he was considered by Forbes magazine to be the richest man in America with an estimated net worth of \$2.8 billion.

### **Wal-Mart: Wall Street Cash Infusion**

Wal-Mart faced a financing crunch. We look at two examples from Wal-Mart's history, which crucially demonstrate that, contrary to its own public relations fairy tales, Wal-Mart would not exist without Wall Street's direction and ample financial backing.

After Sam Walton started Wal-Mart in 1962, he flew around the American Southeast, Southwest, and Midwest to line up loans for his company. Republic Bank, based in Dallas, Texas, and known for its smarmy dealings, was one of the first lenders to him in the 1960s. But Republic Bank and other banks that lent money to Wal-Mart set a limit on how much they would lend. Walton revealed in his autobiography, *Sam Walton: Made in America*, that in 1969, "we weren't generating enough profits both to expand and pay off our debts.... We really needed the money, pure and simple."

Walton and his eldest son, S. Robson (Rob) Walton (who is now chairman of Wal-Mart), figured that the only way they could come up with the money to pay their debts, was an Initial Public Offering (IPO), issuing shares of stock to the public.

**But there was one catch:** A commercial or industrial company cannot conduct an IPO by itself; it must be done by a financial institution. To handle the job, Sam Walton hired two of the world's most criminally-connected, dirty-money investment banks.

The first was the Little Rock, Arkansas-based Stephens, Inc., which is the largest private investment bank west of the Mississippi. Its founder was Jackson Stephens, who had worked intensively with such dirty operations as the Bank of Credit and Commerce International (BCCI), an intelligence cut-out for the financier oligarchy, which financed illegal weapons and drug trade. In 1990, the BCCI was convicted in Miami, of money laundering for the

Colombia cocaine cartels. Published reports have also linked Stephens to work with the U.S. National Security Agency.

The second firm Sam Walton selected to handle his IPO was the investment bank White Weld. White Weld operates on Wall Street, but its headquarters are in Boston. Walton wrote in his autobiography, "I thought we needed a Wall Street underwriter." The founders of White Weld descended from Boston Brahmin families that had been involved in a treasonous plot, the Hartford Convention of 1814, to split apart the United States. Through a series of corporate marriages, White Weld would merge with both the Swiss banking giant Credit Suisse, as well as the First National Bank of Boston, eventually becoming Credit Suisse White Weld, one of the world's largest drug-money Laundromats. On Feb. 7, 1985, Federal agents caught Credit Suisse in a multi-billion-dollar money laundering scheme, for which they were convicted.

These two sinister firms raised more than \$4.5 million for Wal-Mart through the Oct. 1, 1970 IPO, and a grateful Mr. Sam placed Jackson Stephens on the board of directors of Wal-Mart.

**The second instance of Wall Street's massive financing and guiding of Wal-Mart involves the company's spectacular growth during 1990-2002.**

The bankers loved Wal-Mart because it fulfilled their policy of a post-industrial society, whereby America's productive capacities were ravaged; the nation no longer produced quality goods at decent prices, with a well-paid productive labour force. Instead, it became a consumer society, purchasing goods, produced first at runaway sweatshops in the U.S. South, and eventually at overseas concentration-camp production facilities. Wal-Mart would be the prime seller of these goods. Soon its ferocious methods became the "norm" for America; other retail firms, as well as manufacturers, either adopted the methods of Wal-Mart, or they were gone.

In the late 1980s, the Wall Street-City of London financiers needed greater volumes of loot to prop up the collapsing world speculative bubble. They gouged huge amounts of loot out of the developing sector, under the globalization typified by the North American Free Trade Agreement (NAFTA), which was rammed through the U.S. Congress in 1993, and implemented the following year. Wal-Mart became the ideal vehicle for free-trade and globalization: marketing the goods that developing countries had produced, but for which these countries were paid only a fraction of their real production costs.

Wal-Mart was pumped up to enormous size, accompanied by structural changes, with Wall Street pumping in the money by snapping up Wal-Mart's corporate bonds.

For most of its existence, Wal-Mart had built only one kind of store, an enormous facility occupying approximately 70,000 square feet in sales space (other department chains' stores averaged 40,000 square feet). But now, even these stores were no longer big enough. With globalization going through, the United States would receive a flood of imported goods. Both for this, and for advantage against its competitors, Wal-Mart, starting 1987, began to build super centers, stores with an amazing 180,000 to 200,000 square feet, which sold everything from hard goods to fresh food.

## **Success of Wal-Mart**

Sam Walton did not invent retailing; he simply changed the business model and way of doing business to make it a much more profitable venture. Wal-Mart is now the world's biggest corporation, having passed Exxon Mobil for the top slot. It hauls off a stunning \$220 billion a year from We the People (more in revenues than the entire GDP of Israel and Ireland combined).

Despite its claim that it slashes profits to the bone in order to deliver "Always Low Prices," Wal-Mart banks about \$7 billion a year in profits, ranking it among the most profitable entities on the planet.

Of the 10 richest people in the world, five are Waltons--the ruling family of the Wal-Mart Empire. S. Robson Walton is ranked by London's "Rich List 2001" as the wealthiest human on the planet, having sacked up more than \$65 billion in personal wealth and topping Bill Gates as No. 1. Wal-Mart and the Waltons got to the top the old-fashioned way--by roughing people up. The corporate ethos emanating from the Bentonville headquarters dictates two guiding principles for all managers: Extract the very last penny possible from human toil, and squeeze the last dime from every supplier.

With more than one million employees (three times more than General Motors), this far-flung retailer is the country's largest private employer, and it intends to remake the image of the American workplace in its image--which is not pretty.

An integral component of Wal-Mart's success was its leveraging of new technologies to improve efficiencies and save costs. Walton knew that the key to success in a low margin business was to rigidly control his costs. Wal-Mart was, for example, one of the first major retailers to use electronic scanners at the registers which tied to an inventory control system so they could know immediately which items were selling well and needed to be re-ordered.

The success of his Wal-Mart stores led Sam to another idea - Sam's Wholesale Clubs. These would be discount stores that sold to small business owners in bulk. The idea was another big hit for Walton and by 1985 he was considered by Forbes magazine to be the richest man in America with an estimated net worth of \$2.8 billion. Today, Wal-Mart is the world's number 1 retailer, with more than 4,150 stores, including discount stores, combination discount and grocery stores, and membership-only warehouse stores (Sam's Club).

## **The Leadership of Mr. Sam Walton**

Even though Sam Walton was a good manager, his real strength was to lead people effectively. Walton was so committed to his business and so hard-working that he affected most of his staff with his enthusiasm. It was not only this but also his ability to create commitment for his associates, using "reward power" by showing his appreciation of and rewarding people's efforts. Sam Walton emphasized the importance of team-work. He encouraged people to help each other where they can, as often as possible, as long it is for the benefit of their personality or of the company. His drive towards achieving goals and his

natural ability to lead people was already apparent in the early years of his life, for example in school or later at university, where Sam Walton led several student committees.

Sam's competitors thought his idea that a successful business could be built around offering lower prices and great service would never work. As it turned out, the company's success exceeded even Sam's expectations. The company went public in 1970, and the proceeds financed a steady expansion of the business.

Sam credited the rapid growth of Wal-Mart not just to the low costs that attracted his customers, but also to his associates. He relied on them to give customers the great shopping experience that would keep them coming back. Sam shared his vision for the company with associates in a way that was nearly unheard of in the industry. He made them partners in the success of the company, and firmly believed that this partnership was what made Wal-Mart great.

As the stores grew, so did Sam's aspirations. In addition to bringing new approaches and technologies to retail, he also experimented with new store formats—including Sam's Club and the Wal-Mart Supercenter—and even made the decision to take Wal-Mart into Mexico. Sam's fearlessness in offering lower prices and bringing Wal-Mart's value to customers in the U.S. and beyond set a standard for the company that lives on to this day. His strong commitment to service and to the values that help individuals, businesses and the country succeed earned him the Presidential Medal of Freedom, awarded by President George H. W. Bush in 1992.

### **Sam Walton: Personality Traits**

**Sam Walton was a leader not a follower.** He was hardworking, highly motivated and determined personality. He was innovative and always thought of novel ways to do things and strived for continuous improvement. At the same time Sam wasn't afraid to take risks when the situation warranted. David Dayne Glass, former President and Chief Executive Officer of Wal-Mart Stores, Inc. said, "Two things about Sam Walton distinguish him from almost everyone else I know. First, he gets up every day bound and determined to improve something. Second, he is less afraid of being wrong than anyone I've ever known".

**Sam was an excellent team player** for he believed that 'individuals don't win, teams do'. Sam understood the dynamics of employee satisfaction better than anyone and fostered commitment in his employees by introducing stock options and store discounts.

He also **believed in community spirit** and felt that each store should reflect his customer's values and support the vision they held for their community. For seven years Sam worked in a federal position that dealt exclusively with Air Force personnel. Being exposed to a stringent workplace that makes personnel adhere to all rules and regulations has helped him to become very organized and time efficient. It has also, helped him to realize that compassion is a key piece that is missing in the military lifestyle.

## **Walton's Management Style**

“Outstanding leaders go out of their way to boost the self-esteem of their personnel. If people believe in themselves, it's amazing what they can accomplish.”

This quote originates from none other than Sam Walton; famous founder of the world's largest retail company and is a good example to show one of the factors that created the incredible success of Sam Walton's business.

Walton opened up his first store as a franchisee of Ben Franklin Stores in 1945. But being a franchisee and therefore having low entrepreneurial freedom, Walton was not satisfied for long and went to open up his own store, the first “real” Wal-Mart, in Rogers, Arkansas, USA in 1962. His business concept, combining low prices and great service, created immediate, but enduring success.

Walton always believed in the importance of staying involved and controlling the daily business, and therefore initiated several traditions, as it was for example the introduction of the so-called “Saturday-morning-meetings”, a meeting where all executives come together once a week to discuss all problems arising in their departments. This allowed Walton, even in a fast-growing company, to control the every-day-business on a regular basis, to identify the core problems and to make plans of how to solve them. It has to be clear that he did not intend to solve all problems on his own, but rather to delegate the solution to his associates, as all employees are referred to at Wal-Mart, in order to show his confidence and to encourage them. Walton therefore also put emphasis on the fact that he never wanted his word to be sacred, as he was conscious of having some weaknesses, and therefore relied on others where he thought they would do better than him.

Another way of controlling and directing within the organization were Sam's regular visits in the stores where he intended to both motivate and check on his associates at the same time. He loved the opportunity to learn about the problems “on the frontline”, and to discuss potential solutions with the personnel.

Many industry observers regard Walton's management style as unique, entrepreneurial, participative and goal-oriented. Analysts described him as a hardworking, highly motivated and determined personality always willing to take risks.

Sam Walton's managerial approaches and the Wal-Mart corporate culture created by him are still key points in the company's ongoing success. Regarding all of Sam Walton's management and leadership one really has to say that he was a successful leader and motivator. Sam Walton is surely an example of a leader that was born. He led people before he has ever had the chance to learn about leading. So Sam's natural leadership skills and the “high follower readiness” was another key to Wal-Mart's success.

## **Sam's 10 Rules for Building a Business**

Sam Walton believed running a successful business boils down to 10 simple rules. These rules helped Wal-Mart become the global leader it is today. We continue to apply them to every part of our business. You can read the rules below, excerpted from his book, *Sam Walton, Made in America: My Story*.

### **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 your 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.

### **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 really don't 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 pay check 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 success.**

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 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 customer's 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.

**Rule 9: Control your expenses better than your competition.**

This is where you can always find the competitive advantage. For twenty-five years running— long before Wal-Mart was known as the nation's largest retailer — we've 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 populations cannot support a discount store for very long.

**Sam Walton: The Leadership Lessons****Stick to fundamental values**

Sam Walton had simple values that guided him through his life and business. He didn't follow the latest management fad, nor did he believe in any of the get-rich-quick ideas. He was solidly living his life by the values that he grew up with.

Similarly, as a leader building a team or an organization, you need to get away from all the 'noise' about the latest management framework, or the next idea about how leadership should be done.

The principles that existed for thousands of years still exist today and all you have to do is follow them, and people will follow you. There is nothing new under the sun and you shouldn't be swayed by different ways and ideas; but stick to your values and you will be successful.

### **Don't follow the money, follow your passion**

Sam Walton didn't start off his variety stores with an ambition to become rich; he simply had a passion for his craft and at each point in time, he only wanted to do it better and better.

The thing is, if you follow the money, you'll be running from one business opportunity to another, without any focus. But Sam Walton had one focus: retail and so should you. When you follow your passion, you'll be successful, in whatever craft you do, and you'll become a leader in that field, no matter what is it.

### **Take care of your people**

Sam Walton took extremely good care of his employees and he gave every employee a chance to become successful with him by allowing them to purchase stock options of Wal-Mart at a discount. He treated them as associates of the business and wanted them to enjoy part of Wal-Mart's success. If you can value every single employee or team member in your organization, it will help toward your personal success as well. But do it only because you genuinely care. Make them part of the organization by allowing them to share the organization's success, be it by stock options or other forms of rewards. There's a saying that goes, if you can make people around you successful, then you will be successful too.

### **Customer Relationship Management at Wal-Mart**

Walton believed that every customer should be greeted upon entering a store, and that each store should be a reflection of the values of its customers and its community. Wal-Mart is involved in many community outreach programs and has launched several national efforts through industrial development grants. What are the Key Features of Wal-Mart's Approach to Implementing the Strategy Put Together by Sam Walton -- The key features of Wal-Mart's approach to implementing the strategy put together by Sam Walton emphasizes building solid working relationships with both suppliers and employees, being aware and taking notice of the most intricate details in store layouts and merchandising techniques, capitalizing on every cost saving opportunity, and creating a high performance spirit. This strategic formula is used to provide customers access to quality goods, to make these goods available when and where

customers want them, to develop a cost structure that enables competitive pricing, and to build and maintain a reputation for absolute trustworthiness

### **Mr. Sam Walton described as per Leadership Theories**

#### **Sam Walton: The Blake and Mouton Managerial Grid**

**As per this grid Walton would be considered to be on the team Leadership – High Production/High People** According to the Blake Mouton model, this is the pinnacle of managerial style. He stressed on the production needs and the needs of the people equally highly. His endeavours to take rounds of the stores and meet associates made his employees involved in understanding organizational purpose and determining production needs. When employees are committed to, and have a stake in the organization's success, their needs and production needs coincide. (See exhibit 9)

Walton's management style was popular with employees and he founded some of the basic concepts of management that are still in use today. After taking the company public in 1970, Walton introduced his "profit sharing plan". The profit sharing plan was a plan for Wal-Mart employees to improve their income dependent on the profitability of the store. Sam Walton believed that "individuals don't win, teams do". Employees at Wal-Mart stores were offered stock options and store discounts. These benefits are commonplace today, but Walton was among the first to implement them. Walton believed that a happy employee meant happy customers and more sales. Walton believed that by giving employees a part of the company and making their success dependent on the company's success, they would care about the company.

His concern for production as per the grid is very evident from the profit made by Wal-Mart and the growth. He was one of the only leaders who could balance both the production and concern for employees which is the reason for Wal-Mart's great success.

#### **Sam Walton: The Big Five Trait Theory**

Sam Walton's distinct and successful style of leadership is derived from his personality. According to trait theory, the combinations of personal traits are what define an individual's personality. According to the "Big Five" trait theory there are five definite traits that define a person's personality: extraversion, agreeableness, conscientiousness, emotional stability, and openness to experience. With further examination of Sam Walton, his leadership style, his life, his business tactics, and his success. (See Exhibit 3 and 4) He possessed all of these traits. From a very young age Sam demonstrated extraversion and conscientiousness through his entrepreneurial spirit. He created his own jobs as a child, and later bought department stores to feed his desire of ownership and success. Many of his employees have call Sam Walton a powerful and fair leader; this demonstrates his trait of agreeableness. Sam Walton said "Most managers lead by fear and intimidation. They think that being tough is being a leader; nothing is further from the truth. Good leaders add the human factor to all aspects of their business." Sam's openness was expressed in his innovative ideas at Wal-Mart. Sam had the idea to move the multiple registers located throughout his department stores to the front

of the store. That way people wouldn't need to check out in individual departments, they could check out at the end of their shopping experience as they exited.

Sam Walton's locus of control also helped his leadership style. Sam Walton, like many good managers and workers, possessed an internal locus of control. This means that Sam believed that he controlled what happened to his business, and held responsibility for its performance. This trait makes a good manager and leader because instead of blaming employees or circumstances the manager accepts responsibility for a failure and changes themselves for the better. Sam Walton had what is called high self-efficiency. This is Sam's overall view of his effectiveness in a multitude of activities. He was confident in his success with any type of challenge. As a successful leader Sam Walton was a high self-monitor. This means that Sam would take in hints and ideas from his surroundings to change his behavior.

### **Sam Walton: Myers-Briggs Type Indicator Instrument**

Sam Walton was known as an ESTJ on the Myers-Briggs Type Indicator Instrument. ESTJ is one of the 16 personality types identified by the Myers-Briggs Type Indicator (MBTI). ESTJs are often described as practical, take-charge kind of people. David Keirsey, the creator of the Keirsey Temperament Sorter, suggests that approximately eight to twelve percent of all people have an ESTJ personality. This style of personality tester uses a series of questions to decide on four major areas how you behave.

The four areas are extraversion/introversion, sensing/intuition, thinking/feeling, and judging/perceiving. (See exhibit 5). Through the combination of these four traits a personality profile can be built, and used to describe Sam Walton's behavior. As an ESTJ, Sam was an Extravert, he made decisions based on his senses, he trusted thought more than feeling, and he judged situations. All of these qualities help to make an effective leader because they create a social leader who works hard to gain knowledge and facts to run the business, which is exactly what Sam did.

- **Extraversion:** ESTJs are outgoing and enjoy leading and supervising other people. Walton's greatest accomplishment was his ability to empower, enrich, and train his employees. He believed in listening to employees and challenging them to come up with ideas and suggestions to make the company better. At each of the Wal-Mart stores, signs are displayed which read; "Our People Make the Difference. Associates regularly make suggestions for cutting costs through their Yes We Can Sam program. The sum of the savings generated by the associates actually paid for the construction of a new store in Texas".
- **Sensing:** ESTJs enjoy concrete facts as opposed to abstract information. Walton always believed in knowing the customers better. He initiated the system to manage the database of his clients so that he could sense and envision future purchases of the stores.
- **Thinking:** ESTJs rely on objective information and logic to make decision rather than personal feelings. Sam Walton emphasizes building solid working relationships with both

suppliers and employees, being aware and taking notice of the most intricate details in store layouts and merchandising techniques, capitalizing on every cost saving opportunity, and creating a high performance spirit. This strategic formula is used to provide customers access to quality goods, to make these goods available when and where customers want them, to develop a cost structure that enables competitive pricing, and to build and maintain a reputation for absolute trustworthiness.

- **Judging:** ESTJs like control and order, so they like to plan things well in advance. Walton has always thought ahead of his time. That is why he had been such a game changer of the retail industry. The founder of Kmart once claimed that Walton not only copied our concepts, he strengthened them. Sam just took the ball and ran with it. Wal-Mart has invested heavily in its unique cross-docking inventory system. Cross docking has enabled Wal-Mart to achieve economies of scale, which reduces its costs of sales. With this system, goods are continuously delivered to stores within 48 hours and often without having to inventory them.

### **Sam Walton: A Transformational Leader**

One of the more recent ideas about leadership analysis was the “transformational leadership” approach, describing how the behavior of one person is influenced by the leader’s personality. It states that by combining the factors like leader’s charisma, his motivation skills, intellectual challenge for the associates and consideration for the individual will create a work atmosphere that enables outstanding results. Sam Walton definitely was such a leader, having those outstanding skills allowed him to “transform” his associates in the way required. He always gave his partners high goals, but motivated them and gave them the feeling that they really count for him, and therefore his staff were much more willing to work hard. Every single strategic move was lead by Walton himself. He used his own specific strategic ideologies taking each implementation as a challenge that required different set of leadership skills.

There are four factors to transformational leadership (also known as the 4 ‘I’s) idealized influence, inspirational motivation, intellectual stimulation, and individual consideration. Each factor will be discussed to help managers use this approach in the workplace.

- *Idealized influence* describes Sam Walton as an exemplary role model for associates, employees as well as stakeholders. He was a leader with idealized influence who could be trusted and respected by associates to make good decisions for the organization.
- *Inspirational motivation* Walton always motivated associates to commit to the vision of the organization that was to sell goods at discounted prices. Even at the time of recession (1991) and at the time of boom (170s and 1980s, time period for baby boomers in America) Sam Walton maintained his ideologies for strictly discounted pricing also convincing other stakeholders like his brothers and in laws and later on, once the company became limited, the investors in Wal-Mart Corporation, that it was important to keep a single mined ideology for a store compatible with its great brand image. He encouraged team spirit to reach goals of

increased revenue and market growth for the organization that is why the investors believed in the sustainability of his vision.

- *Intellectual Stimulation:* Walton encouraged innovation and creativity through challenging the normal beliefs or views of a group. Leaders like him, with intellectual stimulation, promote critical thinking and problem solving to make the organization better. Every Saturday morning at the meeting Sam would encourage his employees come up with brilliant and extraordinary ideas that were not only strategic but also made the day to day operations efficient. His idea was permeated to all Wal-Mart stores even to the ground level staffs so that they were encouraged to contribute their ideas to the store heads.

- *Individual consideration:* Walton acted as a coach and advisor to the associates. He was a leader with individual consideration who encouraged associates to reach goals that helped both the associates and Wal-Mart.

Based on the Fiedler's contingency theory we can say that it were the small milestones that let Walton to the bigger goal fulfilment. In the times of crisis like when the lease for his first store was not renewed or when there was recession in America he showed exceptional leadership qualities. There was an incident mentioned in the book Made in America that suggested that when Sam did not have enough money to pay his staff during 1988 and the Federal government introduced the minimum pay of \$1.15 for all staffs all of sudden Sam actually gave his labourers cheques and said "if any of you encash it now I shall fire you". This was of course followed by a motivational lecture and ultimately no one encashed it till the company was stable again. Such was his authority, command and charisma over his employees.

### **Sam Walton: A Charismatic Leader**

Sam Walton is considered by many to have possessed charismatic qualities. He worked hard to explain his vision of retailing and serving the customer. He would visit Wal-Mart stores to continually inform his associates (the employees) that customer service is the first, second, and third priority that must be accomplished in order for the company to become the top retailer. As people responded to his vision and goals, Walton kept up a fast pace to meet people and express his viewpoint. He paid attention to his employees and his customers-the human assets of business. Walton had a "gift" for making other people "feel" good about working for him and buying his products and service.

His charismatic personality was one of the main reasons behind attaining such a low rate of employee attrition in a sector like retail where there is so much pressure on sales. His employees stuck by him through thick and thin which of course did not go in vain. He rewarded them company stock options to make them stay.

## Sam Walton: A Servant Leader

Sam Walton was a Servant Leader who never asked anyone else to do anything that he hadn't already proven he was willing to do himself. You might say he led by his own example. He taught his entire leadership team at Wal-Mart to use 'Golden Rule Values' in their dealings with the 'Associates' (Mr. Sam's term for employees). He behaved as if he worked for management, and he expected management to behave as if they worked for the employees, and employees worked to serve customers. Therefore the whole company served the most important stakeholder, the customer. He was unafraid to use his own mistakes as lessons to teach others, and often shared stories even if the tale was told at his own expense.

Sam Walton would often say, "The Associates don't care how much their manager knows until they know how much their manager cares about them!" Servant-leaders achieve results for their organizations by giving priority attention to the needs of their colleagues and those they serve. Servant-leaders are often seen as humble stewards of their organization's resources: human, financial and physical. Even after all the wealth Sam acquired he still drove his big truck and wore a baseball hat to office he was extremely humble.

Larry C. Spears, who has served as President and CEO of the Robert K. Greenleaf Center for Servant Leadership since 1990, has extracted a set of 10 characteristics that are central to the development of a servant leader:

**1. Listening:** In servant leadership, Managers are required to have communication skills as well as the competence to make decisions. A servant leader has the motivation to listen actively to subordinates and support them in decision identification. The servant leader particularly needs to pay attention to what remains unspoken in the management setting. This means relying on his inner voice in order to find out what the body, mind and spirit are communicating.

"The key to success is to get out into the store and listen to what the associates have to say. It's terribly important for everyone to get involved. Our best ideas come from clerks and stock boys." Sam Walton

**2. Empathy:** A servant leader attempts to understand and empathize with others. Workers may be considered not only as employees, but also as people who need respect and appreciation for their personal development. As a result, leadership is seen as a special type of human work, which ultimately generates a competitive advantage.

"Appreciate everything your associates do for the business. Nothing else can quite substitute for a few well-chosen, well-timed, sincere words of praise. They're absolutely free and worth a fortune." -Sam Walton

**3. Healing:** A great strength of a Servant Leader is the ability for healing one's self and others. A servant leader tries to help people solve their problems and conflicts in relationships, because he wants to encourage and support the personal development of each

individual. This leads to the formation of a business culture, in which the working environment is dynamic, fun and free of the fear of failure.

Despite his setbacks like the closure of the first Ben Franklin store or being mocked at with the idea of discount store Walton never gave up.

**4. Awareness:** A servant leader needs to gain general awareness and especially Self-awareness. He has the ability to view situations from a more integrated, holistic position. As a result, he gets a better understanding about ethics and values. Sam always insisted on integrity. He always separated family from business. Every member who joined the business would first be inducted as a trainee and start work from the shop floor to move its way up to the high posts. That is how his sons learnt the lessons of retail no one else could teach them.

It uses a MPP (massively parallel processor) computer system to track stock and movement which keeps it abreast of fast changes in the market. Information related to sales and inventory is disseminated via its advanced satellite communications system. Wal-Mart has leveraged its volume buying power with its suppliers. It negotiates the best prices from its vendors and expects commitments of quality merchandise purchasing agents of Wal-Mart are much focused people. This awareness about the store as well as the world around gave Wal-Mart the edge against competitors in terms of using technologies.

**5. Conceptualization:** As a servant leader Walton had the ability to think beyond day-to-day realities. He saw beyond the limits of the operating business and also focused on long term operating goals. He constructed a personal vision that only he could develop by reflecting on the meaning of his business and how it had to function. Sam Walton was a visionary who understood the need for everyone to have access to goods without suffering financially.

**6. Foresight:** Only a visionary like Sam could out bid Kmart and other big realities. He created the concept of category killers by first acquiring Hutcheson shoes in 1978 and then move forward into acquiring many such companies.

**7. Stewardship:** CEOs, staffs and trustees have the task to hold their institution in trust for the greater good of society. In conclusion, servant leadership is seen as an obligation to help and serve others. Openness and persuasion are more important than control. Sam always knew that the idea he would come up with would work best only if he believed in it and made others believe in his idea.

**8. Commitment to the growth of people:** A servant leader is convinced that people have an intrinsic value beyond their contributions as workers. Therefore, he nurtured the personal, professional and spiritual growth of employees. For example, he spent money for the personal and professional development of the people who made up Wal-Mart. He encouraged the ideas of everyone and involved workers in decision making.

With few locations left in the U. S. to put a new Sam's Club or traditional Wal-Mart, the Super-centre division has emerged as the domestic vehicle for taking Wal-Mart to \$100 billion in sales. Before the Super-centre, Walton experimented with a massive Hyper-mart, encompassing more than 230,000 square feet in size. The idea failed. Customers complained

that the produce was not fresh or well-presented and that it was difficult to find things in a store so big that inventory clerks had to wear roller skates. One of Walton's philosophies was that travelling on the road to success required failing at times.

**9. Building community:** A servant leader identifies means to build a strong community within his organization and wants to develop a true community among businesses and institutions.

### **Sam Walton: Bases of Power Theory**

Five bases of power were identified by French and Raven in 1960, which laid the groundwork for most discussions of power and authority in the latter half of the twentieth century. These five types of power are coercive, legitimate, reward, referent, and expert. Power can be manifested through one or more of these bases.

**Reward Power:** Reward power, as the name implies, rests on the ability of a manager to give some sort of reward to employees. These rewards can range from monetary compensation to improved work schedules. Reward power often does not need monetary or other tangible compensation to work when managers can convey various intangible benefits as rewards.

John Huey the co-author of *Made in America: My Story* by Sam Walton, describes Sam Walton, founder of Wal-Mart Stores, Inc., as an active user of reward power. Walton relies heavily on these intangible awards, indicating that "nothing else can quite substitute for a few well-chosen, well-timed, sincere words of praise. They are absolutely free-and worth a fortune".

When reward power is used in a flexible manner, it can prove to be a strong motivator, as Crosby, Deming, and others have shown. Still, when organizations rely too rigidly on rewards, the system can backfire. Employees may be tempted to unethically or even illegally meet the quotas to which overly rigid reward systems may be tied.

**Referent Power:** Referent power derives from employees' respect for a manager and their desire to identify with or emulate him or her. In referent power, the manager leads by example. Referent power rests heavily on trust. It often influences employees who may not be particularly aware that they are modelling their behaviour on that of the manager and using what they presume he or she would do in such a situation as a point of reference.

Most of the associates felt honored and valued his visit and commented that it really boost their motivation to help the growing company. He also delegated responsibilities fairly and gave each employee the opportunity to act as leaders and according to him, "Each employee has their own cheer to boost associates morale and organizational spirit" - Sam Walton, 1992.

### **Sam Walton as per Motivational Theories**

Sam Walton believed in the human factor of a company; that the employees that are in contact with the customer the most need to feel empowered and part ownership of Wal-Mart.

As a manager and leader, he implemented many motivational strategies in order to excite and increase the efficiency of employees. One of these theories is Maslow's Need Hierarchy. According to Michael Bergdahl's book *The Ten Rules of Sam Walton – Success Secrets for Remarkable Results*, employees want to provide excellent customer service because it is a self-actualized behavior and in order to complete this self-actualized behavior, the employees' needs have to be met first. The company provided pay to meet physiological needs, although this portion of his career took longer to develop. Through the influence of his wife and top managers, he increased pay and offered various incentives and rewards for high performing employees. Sam Walton then met the employees' security and safety needs by creating a positive working environment. In Bergdahl's book he stated that, "Mr. Sam believed that if you act enthusiastic, you'll be enthusiastic and those around you will become energized." Emotional contagion, the "dynamic process through which emotions are transferred from one person to another, either consciously or unconsciously through nonverbal channels," is usually associated with negative energy. However, Sam Walton used it in a positive way to motivate his employees. Emotional and social needs were met with customer centered relationships and positive relationships between managers and employees. These relationships then transfer to meet self-esteem needs by letting the employees "know how much you value their contributions.... one by one." After all of these needs have been met, this will bring the self-actualization that is needed to provide the superior customer service that Sam Walton wants all of his employees to strive for. Moreover, Sam Walton exhibited many motivational factors similar to Herzberg's two-factor theory of motivation. *ORGB* explains Herzberg's theory as having two parts: "one based on avoiding pain and one stemming from the desire for psychological growth. In looking at Sam Walton, the only applicable part of Herzberg's theory is the part based on motivation factors which are "work conditions that satisfy the need for psychological growth".

Some factors that Herzberg identified as motivational factors were "responsibility, achievement, recognition, advancement, and work itself". One particular instance that speaks to Walton's ability to motivate based on recognition was how he visited every store once a year until Wal-Mart became too big. During these visits he would bring a tape recorder and make sure every worker knew he was listening to their opinions of the company. During these visits he would also praise workers and in one instance he showed the recognition motivational factor by speaking into his recorder stating: "I'm here in Memphis at store 950, and George has done a real fine thing with this end cap display of Equate Baby Oil. I'd like to try this everywhere". George, the common worker, felt recognized for his great work by his CEO. Walton understood the importance of recognition. Additionally, Walton typified the responsibility and achievement factors by always addressing his workers as associates rather than employees. By calling them associates, Walton established responsibility in his workers and drove his workers to achieve higher levels. By visiting each Wal-Mart store, Walton was able to identify with his workers and the work itself that they did, ultimately showing his commitment to recognition, responsibility, achievement, advancement and work.

Walton also displayed motivation characteristics found in McClelland's need theory, which highlights three important needs. McClelland believed motivation was brought about from three needs: the need for achievement, power and affiliation. Walton typified the need for affiliation. The need for affiliation is "a manifest need to establish and maintain warm, close, intimate relationships with other people". Walton understood what the need for affiliation

was because he frequently visited his stores. By visiting his stores, he was able to maintain relationships with even the lowest level workers such as the shelf re-stockers. In this way, workers were able to relate to Walton and Walton was able to relate to his workers. The close relationships that he formed during his frequent store visits speak volumes about Walton, the need for affiliation and McClelland's overall need theory.

## **A fair conclusion to a great Leader and the Worlds' Best Retailer**

Though Walton was one of the top businessmen in the US and worldwide and won many enviable awards for bringing in the retailing revolution, he was not spared his share of criticism from industry analysts and the media. Walton was criticized for making Wal-Mart a virtual monopolist in the retailing industry and having forced small retailers to close their businesses down. Some of the critics said that Wal-Mart's aggressive expansion had brought down employee wages and working standards in the retailing industry, diverting millions of dollars from other retailing stores to the company, and that it impoverished small independent retailers and destroyed historical downtowns in small communities.

But why did Sam Walton succeed when so many others under similar circumstances have failed? It all started with his unique vision, and his never say die attitude. He was an optimist and a risk-taker, who enjoyed challenging the status quo. He didn't like to do things the way everyone else was doing them. He shunned the well-worn path in favour of blazing his own trails. He wasn't afraid to challenge traditional ways and means, and in fact he enjoyed being perceived as a maverick. He gravitated towards people who would speak their mind, and challenge his way of thinking. He would admit that he was headstrong but he was fair, and he enjoyed debating with others the best way to do things.

More than anything Sam Walton was a risk-taker who encouraged the people around him to also take risks. He was the first to admit that when he took risks in those early days he failed nine out of ten times. He was quick to point out that it was that one out of ten times when he succeeded that made all of those other failures worthwhile. How many of us would accept that level of failure in our own work or the work of those around us? Sam Walton believed that in any business the path to finding the sustainable competitive advantage is by going in a different, or even the opposite direction, that everyone traditionally goes. That's what he did, and that's how he succeeded when others under similar circumstances have failed.

Some might say Sam Walton gambled and won. He would disagree. He would tell you he wasn't a gambler he was simply someone who believed in taking managed risks. There is a big difference. You see, he opened his first Wal-Mart Store way back in 1962. That was the same year TARGET, Woolworth's and K-MART opened their first stores. Sam Walton's strategy for success was very different from those other early discounters. While they all focused on urban areas, he chose to focus on rural areas. His goal was to raise the standard of living for people living in rural areas to equal that of those living in urban areas.

At the time his "rural retailing" strategy was perceived to be quite radical. Nobody could understand how he could possibly succeed when he was opening such large stores in such small towns. He boldly opened big stores in towns with a population of only 2000 or 2500 inhabitants which at the time the conventional wisdom was that he was downright foolish. He was destined to fail and everyone knew it. Bankers, suppliers, his competitors and even his customers thought he had "lost his marbles!" But Sam Walton continued to believe in his vision when no one else did, and he remained steadfast under withering criticism. The key to his success turned out to be that his stores drew rural customers from a 50 mile radius surrounding his stores.

His rural discounting strategy worked so well that he eventually used his rural success to fund his expansion into urban areas where he would take on his bigger discount retailing rivals and beat them at their own game. The news media often pestered Sam Walton throughout his career to divulge the success secrets he had used to grow his company to become the global giant that it is today. Strategically, he waited until the end of his long career to share his “how to” succeed strategies and tactics. As it turns out he did have a blueprint for success that included seven specific strategies, and ten specific tactics for his business that he attributed to his personal success.

These seven strategies and ten tactics serve as a blueprint others can copy, and follow, for their own business success. In these tough economic times, it makes perfect sense to learn from the strategies, tactics, and best practices of Sam Walton, an incredibly successful entrepreneur, who after starting from scratch created the world’s largest company, and in the process also became the world’s richest man.

### **Kishore Biyani on Sam Walton: The Indian Retail Guru**

“I was struck by Sam Walton's theory that the retail business is driven either by efficient operations or by very good merchandising. The first thing to do is to get your merchandising right. Operations can be gotten right anytime.

We followed that principle and worked quite a lot on merchandising. We have become a merchandising-driven organization rather than one that is operations-driven. Look at any of the companies that are entering India -- they are all operations-driven. They want to perfect their operations on Day One. They want to have control. That is one big difference between them and us.

Secondly, it is all about passion. We realized that retailing is always done with passion. It is not done with corporate imagery. Retailing is also about leading the group, leading the cheerleaders, having Saturday meetings.

Walton's book also presents insights on how to manage the family, how to treat sons and daughters, how to view the management and the family as two separate entities and how to manage wealth.

Wal-Mart is the only organization I have seen that has gone against the law of nature. It has broken one natural law, which says that when you keep growing bigger and bigger, you get cut down.”

-Kishore Biyani on Walton

If the leader of an industry or sector is of the capability to influence people globally then he inspires businesses to come into existence and follow his policies and practices. This is exactly the influence that Sam Walton has had on Mr. Kishore Biyani.

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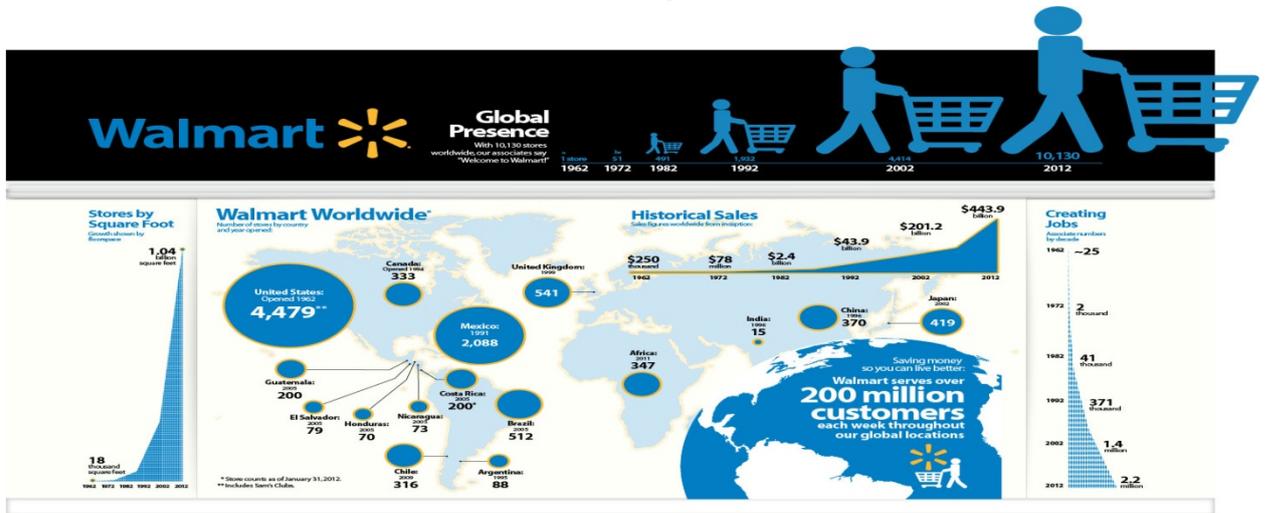
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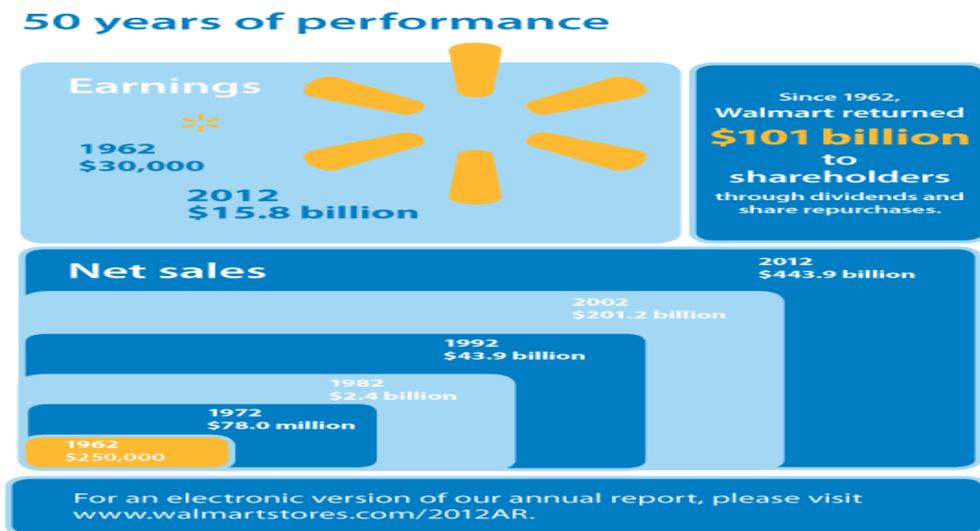
[http://www.michaelbergdahl.net/.../Sam\\_Walton\\_Strategies\\_&\\_Tactics](http://www.michaelbergdahl.net/.../Sam_Walton_Strategies_&_Tactics) (retrieved on 2 March, 2012)

**FIGURE 1: [HTTP://CORPORATE.WALMART.COM/OUR-STORY/HERITAGE/SAM-WALTON](http://corporate.walmart.com/our-story/heritage/sam-walton)**



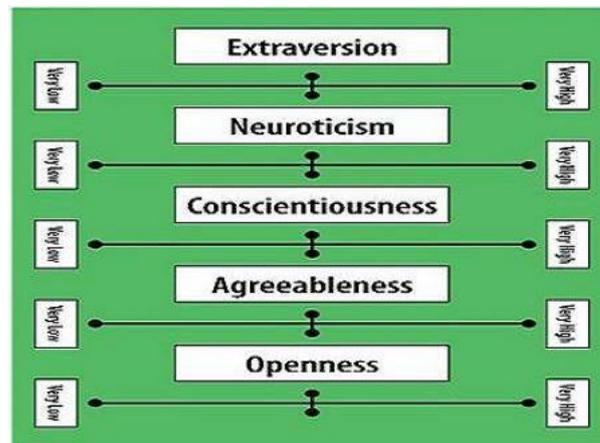
An infographic representation of the growth of Wal-Mart Worldwide depicts Sam Walton’s vision of the retail chain fulfilled by his heirs. It was the base and leadership ideologies of Sam Walton that were followed by Rob Walton to run Wal-Mart into a giant conglomerate that it is today

**EXHIBIT 2: [HTTP://CORPORATE.WALMART.COM/OUR-STORY/HERITAGE/SAM-WALTON](http://corporate.walmart.com/our-story/heritage/sam-walton)**

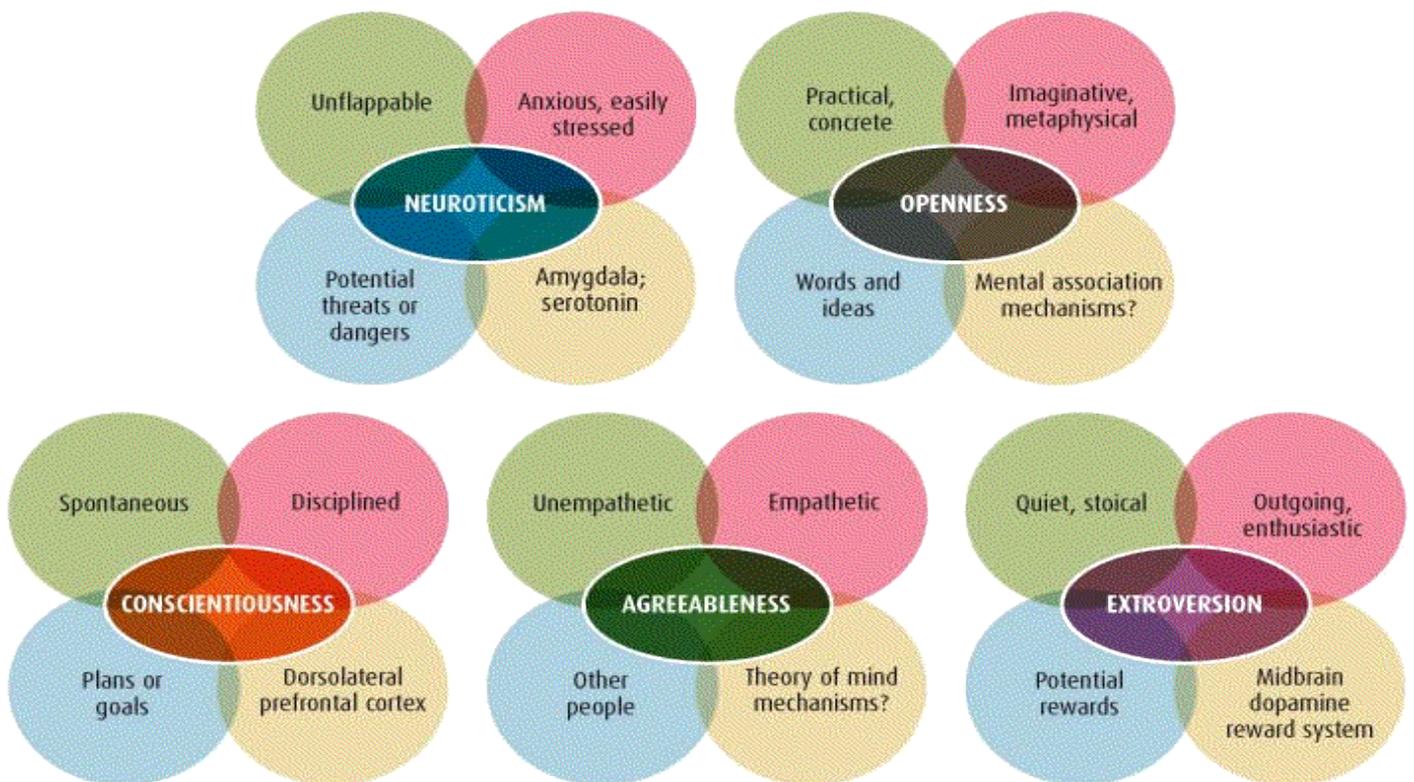


These sales figures clearly suggest that from 1982 to 1992 Mr. Sam Walton used transformational and visionary leadership to expand his business 22 times within a span of 10 years alone.

**FIGURE 3 AND 4 REPRESENT THE BIG FIVE TRAIT THEORY:**  
[HTTP://BLOG.LIB.UMN.EDU/MEYER769/MYBLOG/2011/11/BIG-FIVE-TRAITS.HTML](http://blog.lib.umn.edu/meyer769/myblog/2011/11/big-five-traits.html)



● Low scorers are...    
 ● High scorers are...    
 ● Relevant situations    
 ● Brain mechanism



In 1936, psychologist Gordon Allport found that one English-language dictionary alone contained more than 4,000 words describing different personality traits. His extremely long list of traits needed to be reduced significantly because of its impracticality. Later on, another psychologist, Raymond Cattell, reduced the number of main personality traits from Allport's initial list of over 4,000 down to 35 basic traits, mostly by eliminating uncommon traits and combining common characteristics. Then, using a statistical technique known as factor analysis, he identified closely related terms and eventually reduced his list to just 16 key personality traits. According to Cattell, these 16 traits are the source of all human personality. Later on these traits were reduced to 5 broad traits used to describe leadership.

**FIGURE 5: [HTTP://WWW.ALIGNEDSIGNS.COM/BLOG/WHAT-IS-THE-MYERS-BRIGGS-TYPE-INDICATOR.HTM](http://www.alignedsigns.com/blog/what-is-the-myers-briggs-type-indicator.htm)**

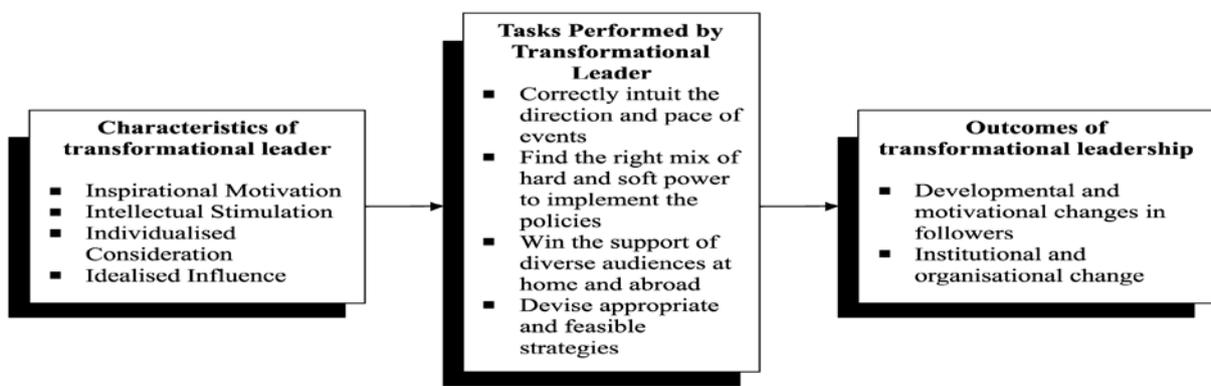
<p><b>ISTJ</b></p> <p>"DOING WHAT SHOULD BE DONE"</p> <p>Organizer • Compulsive Private • Trustworthy Rules 'n Regs • Practical</p> <p><b>MOST RESPONSIBLE</b></p>	<p><b>ISFJ</b></p> <p>"A HIGH SENSE OF DUTY"</p> <p>Amiable • Works Behind the Scenes Ready to Sacrifice • Accountable Prefers "Doing"</p> <p><b>MOST LOYAL</b></p>	<p><b>INFJ</b></p> <p>"AN INSPIRATION TO OTHERS"</p> <p>Reflective/Introspective Quietly Caring • Creative Linguistically Gifted • Psychic</p> <p><b>MOST CONTEMPLATIVE</b></p>	<p><b>INTJ</b></p> <p>"EVERYTHING HAS ROOM FOR IMPROVEMENT"</p> <p>Theory Based • Skeptical • "My Way" High Need for Competency Sees World as Chessboard</p> <p><b>MOST INDEPENDENT</b></p>
<p><b>ISTP</b></p> <p>"READY TO TRY ANYTHING ONCE"</p> <p>Very Observant • Cool and Aloof Hands-on Practicality • Unpretentious Ready for what Happens</p> <p><b>MOST PRAGMATIC</b></p>	<p><b>ISFP</b></p> <p>"SEES MUCH BUT SHARES LITTLE"</p> <p>Warm and Sensitive • Unassuming Short Range Planner • Good Team Member In Touch with Self and Nature</p> <p><b>MOST ARTISTIC</b></p>	<p><b>INFP</b></p> <p>"PERFORMING NOBLE SERVICE TO AID SOCIETY"</p> <p>Strict Personal Values Seeks Inner Order/Peace Creative • Non-Directive • Reserved</p> <p><b>MOST IDEALISTIC</b></p>	<p><b>INTP</b></p> <p>"A LOVE OF PROBLEM SOLVING"</p> <p>Challenges others to Think Absent-minded Professor Competency Needs • Socially Cautious</p> <p><b>MOST CONCEPTUAL</b></p>
<p><b>ESTJ</b></p> <p>"THE ULTIMATE REALIST"</p> <p>Unconventional Approach • Fun Gregarious • Lives for Here and Now Good at Problem Solving</p> <p><b>MOST SPONTANEOUS</b></p>	<p><b>ESFP</b></p> <p>"YOU ONLY GO AROUND ONCE IN LIFE"</p> <p>Sociable • Spontaneous Loves Surprises • Cuts Red Tape Juggles Multiple Projects/Events Culp Master</p> <p><b>MOST GENEROUS</b></p>	<p><b>ENFP</b></p> <p>"GIVING LIFE AN EXTRA SQUEEZE"</p> <p>People Oriented • Creative Seeks Harmony • Life of Party More Starts than Finishes</p> <p><b>MOST OPTIMISTIC</b></p>	<p><b>ENTP</b></p> <p>"ONE EXCITING CHALLENGE AFTER ANOTHER"</p> <p>Argues Both Sides of a Point to Learn Brikkmanship • Tests the Limits Enthusiastic • New Ideas</p> <p><b>MOST INVENTIVE</b></p>
<p><b>ESTJ</b></p> <p>"LIFE'S ADMINISTRATORS"</p> <p>Order and Structure • Sociable Opinionated • Results Driven Producer • Traditional</p> <p><b>MOST HARD CHARGING</b></p>	<p><b>ESFJ</b></p> <p>"HOST AND HOSTESSES OF THE WORLD"</p> <p>Gracious • Good Interpersonal Skills Thoughtful • Appropriate Eager to Please</p> <p><b>MOST HARMONIZING</b></p>	<p><b>ENFJ</b></p> <p>"SMOOTH TALKING PERSUADER"</p> <p>Charismatic • Compassionate Possibilities for People Ignores the Unpleasant • Idealistic</p> <p><b>MOST PERSUASIVE</b></p>	<p><b>ENTJ</b></p> <p>"LIFE'S NATURAL LEADERS"</p> <p>Visionary • Gregarious • Argumentative Systems Planners • Take Charge Low Tolerance for Incompetency</p> <p><b>MOST COMMANDING</b></p>

© Otto Kroeger Associates, 1997

To simplify, the MBTI® is best described as a means through which a trained psychologist, a teacher, a concerned parent, an employer, a human resources individual or even you, can

uncover the essential personality type of a specific individual. This is based on the applied theory that a finite number of personality types exist. It also believes that, while an individual may alter certain aspects of their personality during their lifetime, he or she retains the same type of personality with which he or she initially developed at an early age.

**FIGURE 6:**  
[HTTP://WWW.EMERALDINSIGHT.COM/JOURNALS.HTM?ARTICLEID=1596308](http://www.emeraldinsight.com/journals.htm?articleid=1596308&show=html)  
**&SHOW=HTML**



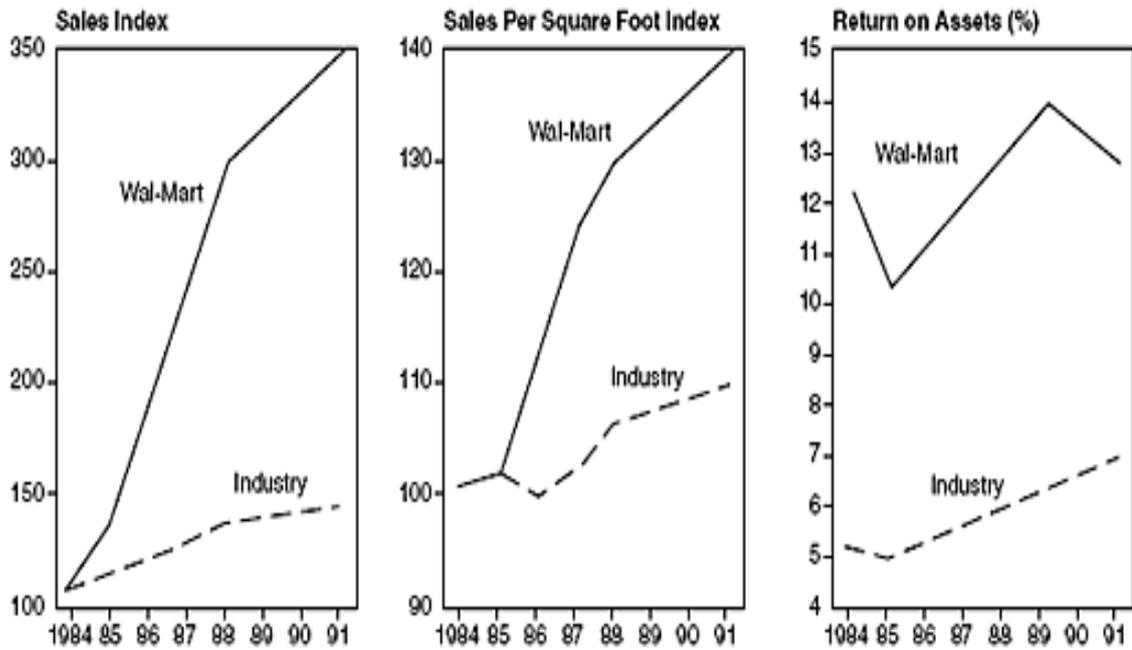
Portrait of a transformational leader: the legacy of Dr Martin Luther King Jr , David McGuire, (School of Management, Napier University Business School, Edinburgh, UK), Kate Hutchings, (Department of Management, Monash University, Clayton, Australia)

**FIGURE 7: COMPETING ON CAPABILITIES: THE NEW RULES OF CORPORATE STRATEGY BY GEORGE STALK, PHILIP EVANS, AND LAWRENCE E. SHULMAN, HARVARD BUSINESS REVIEW, MARCH 1992**

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## Capabilities Help Wal-Mart Outperform Its Industry

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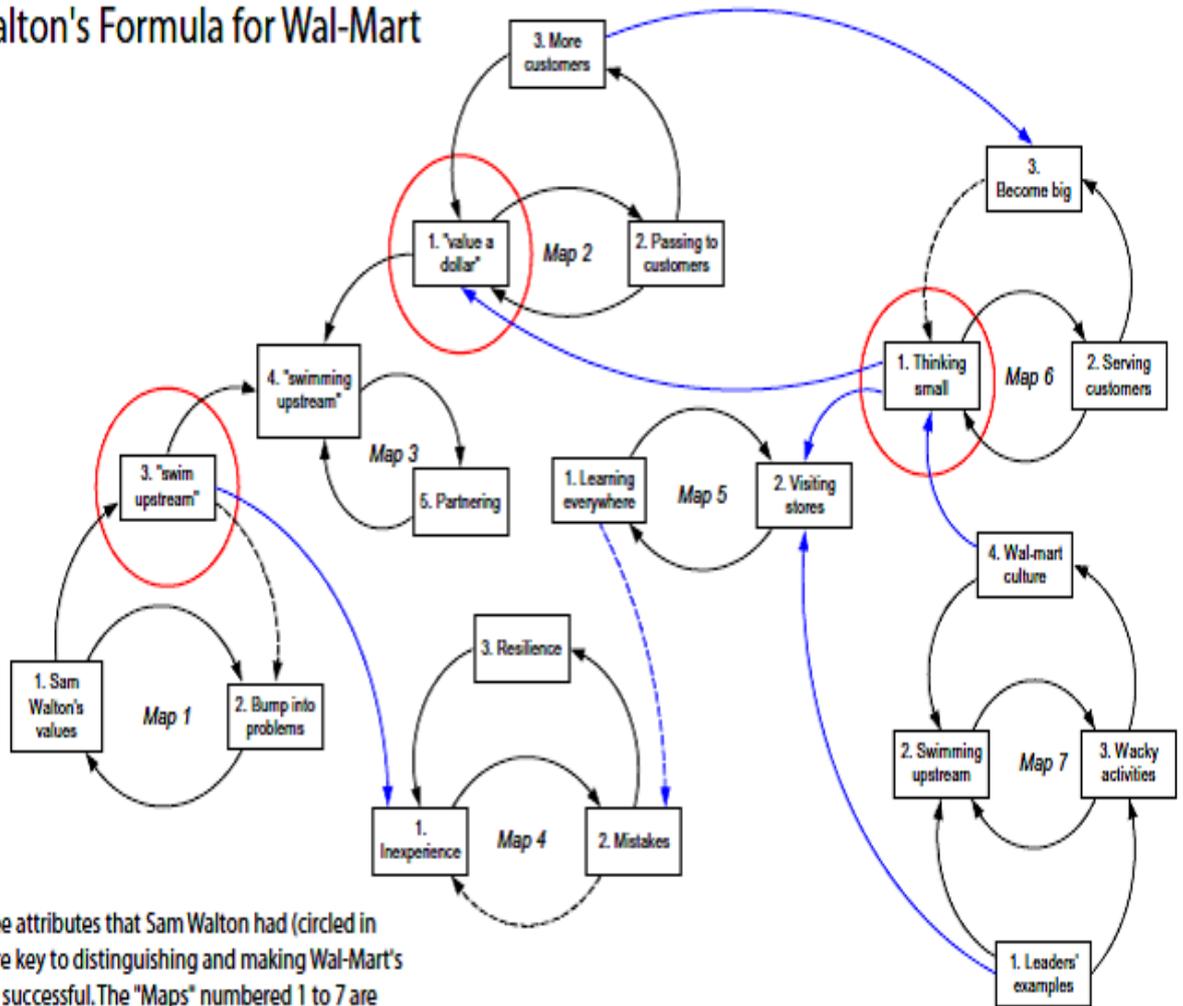


Source: The Boston Consulting Group

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**FIGURE 8:**  
**[HTTP://VIRTUOUSCYCLES.NET/ENV/STRGY/SAMWALTON/TOTAL.PDF](http://virtuouscycles.net/env/strgy/samwalton/total.pdf)**

# Sam Walton's Formula for Wal-Mart

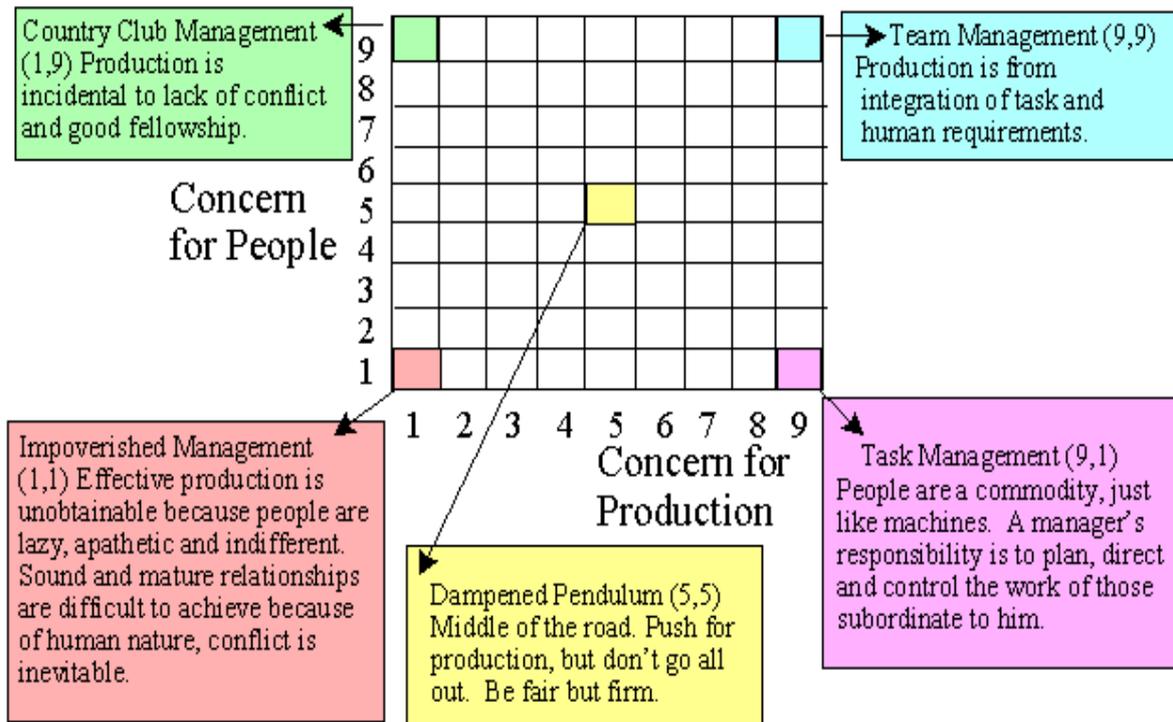


**Note:**

The three attributes that Sam Walton had (circled in red) were key to distinguishing and making Wal-Mart's to be so successful. The "Maps" numbered 1 to 7 are his "islands of competence" and they encourage or discourage each island as represented by a solid blue arrow or a dashed one respectively.

FIGURE 9: [HTTP://MAAW.INFO/MANAGERIALGRID.HTM](http://MAAW.INFO/MANAGERIALGRID.HTM)

## MANAGERIAL GRID\*



\* Adapted from Blake, R. R. and J. S. Moulton. 1962. The managerial grid. *Advanced Management Office Executive* 1(9).

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## Teaching Notes

### Synopsis of the case

This case study illustrates the leadership paradigm of Mr. Sam Walton, the founder of Wal Mart. The case starts with brief background information of world retail industry in the initial days with specific reference to Wal Mart. The subsequent sections describe Sam Walton's early life, educational background, his early retail career, difficulties and challenges faced, and how finally Wal Mart was opened in 1962. The next sections of the case study elaborated the strategic planning and growth phase of Wal Mart under the visionary leadership of Sam Walton in detail. Then the subsequent sections discuss the leadership style of Sam Walton in terms of his unique personality traits, managing day to day affairs, principles followed in leading the business and organization, fundamentals of employee and customer relationship management. The case concludes with the application of several personality assessment and leadership style theories relevant and applicable to Sam Walton. The last section talks about the views of Mr. Kishore Biyani on Sam Walton as the world's greatest motivational retail leader for all time to come.

### Teaching Objectives

Specify the concepts, theories and principles to be taught.

This case study is expected to be taught at MBA and Executive MBA students with covering the following main concepts:

- Relationship between strategic planning and organizational leadership
- Leadership theories and concepts like charismatic leadership, transformational leadership, strategic leadership, visionary leadership, leadership for organization building etc.
- Relationship among leader's personal attributes (personality, motivation, attitude, values); early exposure (family, school, social life); and leadership orientation developed later in professional career (people management, crisis handling, institution building etc.)

### Student Assignment Questions

1. How was the vision of Sam Walton actualized? Does early life, education, personal attributes have any impact on this?
2. What leadership lessons can be derived from Sam Walton for building, expanding, and maintaining a world class organization? Relate with some of theories discussed in leadership course.
3. What is the present scenario in Wal Mart? Share your view on the leadership sustainability impact of Sam Walton in today's context.

### Analysis of the Case

A strong purpose of life and commitment to the chosen career path are the two major constituent components in the vision actualization process of Sam Walton exhibited through his professional achievements. The research works done in the area of leadership development clearly points out that the exposure in early personal life in terms of family, upbringing, schools, social ambience always have an impact on the leadership development potential of the individual in his later life. How Sam Walton developed a winning spirit in his attitude and actions should be thoroughly explored and illustrated by taking the cues provided from the various parts of the case study and putting those pieces together to meaningfully interpret the whole picture. His masterly skills in terms of right from attention to details, positioning and growth strategies, identifying global opportunities, and managing ups and downs comfortably made him one of the greatest leaders of contemporary period. So far as the analysis of leadership styles are concerned, popular leadership concepts like transactional and transformational leadership; charismatic leadership; visionary leadership; and latest level five leadership etc. may be considered appropriately. In conducting the analysis, techniques like Blake-Mouton Grid, Trait theory, Situational leadership theory, Path-goal theory, Balanced leadership approach etc. can be applied. Looking at some of his personal attributes in terms of personality traits, attitudinal factors, work values etc. can also give consolidated answer to prototype his exhibited leadership styles and practices. Sam Walton as an organization builder developed what type of work culture, employment practices, and competitive mindset needs to be explored in great detail. From the exhibits provided at the end of this case study as well as information available from external sources may highlight the business performance and the up rise of Wal Mart during his tenure. Information collected from the recent period of time can show the business, financial, and competitive position of Wal Mart worldwide. How the present CEOs of Wal Mart are still inspired by the thoughts and achievements of Sam Walton provides the answer to his leadership sustainability over long run. Even the views offered by some leading retail entrepreneurs of the world (e.g. Kishore Biyani from India provided in this case) about inspirations and ideas of Sam Walton that encouraged them to whole heartedly take up retail as their profession also highlights Walton's influence on present generation of world retail leaders.

### Teaching Strategy and Class Experiences with Case

This case study can be handled by the case instructor in either of following two ways:

- The instructor distributes the case in advance and asks students to come prepared for interaction and discussion in the next class. While the case is distributed, the instructor should ask the students to explore about the background, operation, major achievements and failures, recent scenario of Wal Mart in great detail. This gathered information from other online / offline sources would be used in conjunction with the given case study to effectively understand both the organization and the leader. On the scheduled class day, the instructor should initiate the interaction with the students by asking one / two fundamental questions about the case that may further lead to effective long discussions, debates, and reviews of the organization as well as the leader. The instructor should be experienced enough to handle such open ended case discussions and must focus on the point rather than allowing students hover around or stray away from main issues.

- In the second method, all above things remain same except for the point that instead of open ended class discussions, one or two teams are asked to make structured presentation of the case informed in advance. During the presentation, issues and questions may be raised both by the instructor as well as the audience, and queries may be clarified by the presenting team members. Final suggestions may be summed up by the instructor at the end of the presentation. For instructors trying the case study method for first time or are relatively inexperienced in case based teaching, are advised to follow this second approach.