

# Walton Promise

Wal-Mart's founder made a pact with employees: He would be fair to them, and they would work hard for him. It was a good deal, but can it survive in the 24-hour service economy? by Mark Gimein

NATIONWIDE, MORE THAN ONE MILLION PEOPLE WORK FOR WAL-MART—a number that is interesting first because it makes Wal-Mart the largest private employer in the U.S., and second because it means that just over one million people are willing to regularly wriggle their rear ends in public at their employer's behest. The famous rear-end wriggle—known officially as a "squiggly"—is a key part of a ritual call and response, the Wal-Mart cheer:

"Give me a W!" "W!"

"Give me an A!" "A!"

"Give me an L!" "L!"

"Give me a squiggly!" [Rump shake!]

And so on, through the "M" and the "A," "R," "T," leading up to the somewhat in-eared coda, "Who's No. 1?" "The customer. Always!"

The Wal-Mart cheer, complete with squiggly, makes frequent appearances at corporate functions; at the Friday morning meetings that every store uses to inform, cajole, and inspire its workers; and following pretty much any announcement that managers feel needs to be underlined. It has also yielded what might be the strangest photograph ever of the world's richest man, in which the aging, neck-tied Sam Walton leads the world's largest as pompon-wielding cheerleaders look on.

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For Stone and Allison Alexander, working at Wal-Mart means real hope for the future.



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paradox is that Wal-Mart stands for both Main Street values and the efficiencies of the huge corporation, aw-shucks hokeyness and terabytes of minute-by-minute sales data, fried-chicken luncheons at the Waltons' Arkansas home and the demands of Wall Street.

Critics of Wal-Mart call the homespun stuff a fraud, a calculated strategy to put a human face on a relentlessly profit-minded corporation. What is paradoxical and suspect to people outside Wal-Mart, however, is perfectly normal to the people who work there. It reflects a deal that Sam Walton, Wal-Mart's founder, made with the people who worked for him.

"If you're good to people, and fair with them, and demanding of them, they will eventually decide that you're on their side," Walton says in his autobiography, *Made in America* (co-written with Time Inc. editorial director and former

FORTUNE managing editor John Huey). Mr. Sam's—in Wal-Mart parlance Walton is always "Mr. Sam"—frequent appearances in the stores testified to the deal. Longtime associates recall that at each store he visited he would pull some crackers off the shelf and set up shop in the back of the store, chatting with associates and listening to their concerns. "You would be working away and out of the blue Mr. Sam's voice would come over the PA system," recalls Sheila Kaylor, a Wal-Mart worker who met Sam Walton several times, in Waco, Ky. "He was so real and so down to earth."

But the deal was a lot more than just a matter of the occasional visit from Mr. Sam. Wal-Mart demonstrated its concern for workers in many ways that were small but specific: time and a half for work on Sundays, an "open door" policy that let workers bring concerns to managers at any level, the real chance of promotion (about 70% percent of store managers started as hourly associates). In her book *Nickel and Dimed*, left-wing social critic Barbara Ehrenreich, who spent a week working in a Wal-Mart store in Minnesota, complains, "Why would anybody put up with the wages we were paid?" That original deal—all those unquantifiable things that fall under "good" and "fair"—is a big part of the answer. It was a deal, in short, that promised Wal-Mart would be different—more human, more caring—than any other employer in the low-wage service sector.

Sam Walton died in 1992, but the language of that deal still peppers the dialogue of Wal-Mart executives and the company's official literature. A quote that runs, in large type, across the top of a page in Wal-Mart's associate handbook is typical: "The undeniable cornerstone of Wal-Mart's success can be traced back to our strong belief in the dignity of each individual." Or listen to Wal-Mart spokesman Jay Allen: "If we didn't practice respect for the individual, didn't operate in an open-door environment, we would not be living up to the expectations that our associates have

*Stan Fortune says that as a Wal-Mart manager he used to "brainwash" workers. Now he thinks they need a union.*



of us." In an interview with FORTUNE two years ago, Coleman Petersen, Wal-Mart's human resources chief, made much the same point: "The higher up in the organization you go, the more of a servant you need to become because of the respect and expectations that Wal-Mart associates have of you as a leader."

Wal-Mart became the country's largest company with 3,500 stores and \$220 billion in annual revenues through a combination of hardheaded negotiation, brilliant use of information technology, and a simple marketing scheme: "Every day low prices." Walton's deal promised that cost-cutting could coexist with a moral center—that Wal-Mart could be both the cheapest place to shop and the best place to work. But there are some unsettling indications that the deal that Walton and his successors made with their employees is fraying. A coalition of law firms and advocacy groups bringing a sex-discrimination suit is trying to force Wal-Mart to explain why women make up more than two-thirds of its rank-and-file employees but only a third of its managers. Labor unions have renewed efforts to organize stores, most prominently in Texas and Nevada. Washington State, acting on evidence that Wal-Mart skimps on paying workers' compensation, finally forced the company to get an outside manager to handle its claims. Individually, these might be dismissed as isolated problems that you'd expect at the nation's largest private employer. But collectively, and combined with extensive interviews with dozens of current and former Wal-Mart associates and managers around the country, they point to signs that this foursquare American deal no longer means what it once did.

IF THERE EVER WERE A PLACE THAT YOU COULD THINK OF as Wal-Mart country, Madisonville, Ky., would be it. Located just south of the border with Indiana, Madisonville sits in a band of the Bible Belt still speckled with blue laws and dry jurisdictions. Madisonville has one Wal-Mart, a supercenter—a huge discount store attached to a midsized supermarket, both staying open 24 hours a day every day except for Christmas Eve and Christmas. The Madisonville Wal-Mart is ringed by other Wal-Mart stores—in Morganfield, Hopkinsville, Beaver Dam, Central City, Ow-