

# 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.

The way the Wal-Mart cheer mixes homespun and corporate themes makes it an apt metaphor for what you can think of as the Wal-Mart paradox. The

PHOTOGRAPHS BY ADAM FRIEDBERG



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



# Walton made us a 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 tin-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, necktied Sam Walton leads the butt shaking as pompon-wielding cheerleaders look on.

The way the Wal-Mart cheer mixes homespun and corporate themes makes it an apt metaphor for what you can think of as the Wal-Mart paradox. The

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

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-

ensboro, Henderson, and Princeton—all within a 40-mile radius.

Madisonville is home to Stephanie Haynes and her fiancé, Tony Salmon; Stephanie's daughter, Lynn; Tony's daughter, Allison; and her husband, Shane Alexander—five members of a single family who all work at Wal-Mart. If you spend any time around Wal-Mart, you will find many, many families whose work lives revolve around the store. In part that is because Wal-Mart is often the single biggest employer in towns like Madisonville. But it's also because working at Wal-Mart can be a pretty good job. It was Allison, 22, who persuaded her dad's 34-year-old fiancée, Stephanie, to come to Wal-Mart after she was injured at a warehouse job. Stephanie in turn brought in Tony, 44, and Lynn, 19. In the places where Wal-Mart manages to live up to the deal it paints in the company literature, employees want the people they depend on and care about to get jobs there.

Madisonville is a good place to understand the expectations and aspirations of the people who are Wal-Mart's rank and file. It's also



*Stephanie Haynes, happy with her Wal-Mart job, convinced her fiancé, Tony Salmon, to join up too.*

a good place to see how the 24-hour service economy has changed the notion of a "good job." The schedule is the best place to start. Every employee in the store tells Wal-Mart his hours of availability, which are then fed into a computer system in the Bentonville, Ark., headquarters and adjusted as needed by the store's personnel director.

This scheduling process is perhaps the defining fact of life in the round-the-clock economy. Some 1,400 Wal-Mart stores are now open 24 hours a day, up from no more than 300 six years ago. Careful managers, with the aid of computer tracking, make sure that at any hour of the day a Wal-Mart has no more staff than is absolutely needed. Daytime shifts—generally running from about 7 A.M. to 4 P.M.—are desirable and distributed largely based on seniority. Third shift—nighttime—has slightly higher pay but carries all the usual disadvantages of overnight work. "It's hard to get on first shift," explains Stephanie. "The ones that are on first shift have been there for years."

Most new associates start on the second shift, which runs

through the middle of the afternoon into evening. Stephanie started on that shift in Wal-Mart's lawn-and-garden department in March 2001 and now works at the customer service desk. Meanwhile, Tony, who had worked in a machine shop making metal parts for 17 years until diabetes weakened his eyesight, started on the night shift as a stocker in September. On most nights Stephanie returns home at 11:30, by which time Tony has left for work. Occasionally they see each other for a few minutes in the store. Stephanie is asleep when Tony returns home and wakes up at about 11 in the morning, shortly before Tony goes to bed.

Lynn, meanwhile, also works the second shift as a cashier, though for fewer hours. She would rather be out on the floor, but it was the cashier's job that was open when she applied. Allison and Shane both now have daytime shifts. Shane, 22, started working at Wal-Mart part-time in high school, moving carts around the parking lot. In November, when he was interviewed for this story, he was running the domestics department and about to start training to

become an assistant store manager. There are about six assistant managers at the typical supercenter. It is the lowest rung of Wal-Mart's salaried positions, paying from a little below \$30,000 up to \$40,000 in higher-wage areas than Madisonville. Allison, meanwhile, is in training to manage the photo lab where she has worked for the past three years. Shane and Allison met at Wal-Mart, in fact—a perfectly appropriate interdepartment romance, well within the bounds of what's permissible under the "fraternization" policy on page 24 of the Wal-Mart employee handbook.

For Allison and Shane, the Wal-Mart contract is intact. They entertain real hopes of advancement. Over the years, Wal-Mart has tried to accommodate them in many small ways. "Shane was there for a little over a year when I started," Allison says. "When I became pregnant, we moved in together and had only one car. Had I worked anywhere else, I would have had no hours or no job. Wal-Mart worked with us. They scheduled me for the days and Shane for the nights, and they gave us an hour in between to give him time to get home and me time to get back. If I was a few minutes late, they understood, because we lived so far away." She adds: "As a department manager, Shane always has Saturdays and Sundays off. Since my manager knew that we never got to see each other, they started giving me some Saturdays off too."

To white-collar workers and managers who have not had to deal with the vagaries of shift work—or for that matter the obvious problem of simply getting to and from a retail job in Kentucky—those may seem like small accommodations. For critics they may sound inadequate. But from the vantage point of someone trying to do a day's work, these acts of personal consideration are better than what they expect of many employers. The accommodations—the chance for promotion, the annual stakeholder's bonus given to workers in profitable stores (last year full-time associates in Madisonville got \$544 each), the possibility of vesting in a retirement plan into which Wal-Mart deposits company stock, and the chance to work in a place that appreciates the importance of family bonds—all represent real payments to associates in a meaningful currency.

LAS VEGAS IS IN MANY WAYS AT THE OPPOSITE END OF THE cultural spectrum from Madisonville. In a recent essay, social commentator David Brooks divided the cultures of the United

## WAL-MART

States into Red America—rural, conservative, Republican—and Blue America—urban, liberal, fast-moving, latte-drinking. Madisonville is deep in Red America, but Wal-Mart has moved into Blue America, and here in Las Vegas the cultures collide.

Like northern Kentucky, Las Vegas and its immediate surroundings are now filled with Wal-Marts. The tally: ten Wal-Marts and four Sam's Clubs (warehouse stores of which Wal-Mart has now built nearly 500)—about one big Wal-Mart "box" for every 100,000 people. To further drive its U.S. growth, Wal-Mart needs to succeed in urban centers like this. But Las Vegas is a tough territory. Since the city is saturated with Wal-Marts, stores end up competing with one another. Furthermore, the labor market is tight, with unionized casinos paying considerably more. That makes the city an ideal target for the United Food and Commercial Workers (UFCW) union.

Drive west from the Las Vegas strip (perhaps the ultimate anything-goes point of contact of all American cultures) on a dry, flat highway comically misnamed Spring Mountain Road, and you hit Sam's Club 6382, the only store owned by Wal-Mart in the U.S. that faces the near-term prospect of a union election. The organizing effort has, of course, been rancorous; an election originally scheduled for the end of November has been postponed by ongoing labor arbitration. And it's fair to note that unions have tried more than once to organize Wal-Mart workers without success. Just last year the Teamsters failed to persuade workers at two distribution centers to join the union. But what is most striking are not the charges and countercharges generated by the Las Vegas battle—union campaigns are never a picnic—but the disappointment and anger among even longtime Wal-Mart employees that the union effort has brought to the surface.

"My mother was an employee of Sam's," says Marsha Wardingly, a ten-year Sam's Club partner (the Sam's Club equivalent to "associate") who is active in the union drive. "It was a really good place to work. You got time and a half on Sundays. That disappeared six months to the day after Sam died. They just took so much away from us. One day we would get raises a dollar an hour at a time, and the next they they started rating us for raises of 10 to 50 cents." (Wardingly's memory differs insignificantly from Wal-Mart's: The company notes that time and a half stopped before Walton died but after he retired, and that raises are now generally between 25 and 60 cents an hour.) Sam's Club partners point not just to specific losses in benefits or pervasive understaffing but also to a more general deterioration in the relationship with management. "When you went to work at a Sam's Club, they would say, 'This is *your* Sam's Club,'" says Frank Lupiani, a nine-year employee. "Now they don't trust anyone."

Surprisingly, even some managers have flocked to the union banner. One of the most articulate is Stan Fortune, a onetime police officer whose 14-year career at Wal-Mart sounds like a spoken map of the Southwest—Colorado, Louisiana, Las Vegas, Texas, Fort Worth, and Weatherford, Texas. All the moving put

strains on his marriage but earned him the No. 2 job in a supercenter, usually a steppingstone to running a store of one's own. Last year Fortune, now divorced, was fired from his co-manager's job in Weatherford after he confronted a suspected shoplifter in the parking lot. Wal-Mart says he violated company rules by engaging in the scuffle; Fortune believes he was really let go for refusing to fire a potential union sympathizer. After he was fired state authorities rejected Wal-Mart's arguments and ruled that Fortune was eligible for unemployment compensation. Now he is a professional organizer for the UFCW, trying to recruit Sam's Club workers in Las Vegas.

Fortune says he still admires a lot about Wal-Mart but feels that it is not living up to its own ideals. In particular, he now takes a dim view of the direction management takes in its relations with associates. "My job was brainwashing," Fortune says. "My job was to take you from your job across town and make you want to work for me, regardless of the pay. Wal-Mart just raised the insurance premiums for associates. I guarantee

you that if I was still there, I could get people to walk out the door smiling, saying to themselves, 'I need to kick in 30% more for health insurance so the company could keep their profits up.' I'm almost embarrassed to say it, but that's what I did." In some ways that sounds like the job of any manager trying to hire and keep the best workers; in other ways it sounds like a betrayal of what employees believed Mr. Sam promised them.

THERE IS NO QUESTION THAT Las Vegas is at the psychic edge of Wal-Mart's expansion, where the



After 21 years at Wal-Mart, Gayle Kellems quit and now plans to join a sex-discrimination lawsuit.

pressures of competition and the differences in outlook from Wal-Mart's rural, Southern origins magnify every difficulty. And it would be fair to protest that a store in the middle of a union-organizing drive is an atypical petri dish in which to study the Wal-Mart culture. And yet even if not typical, Las Vegas is instructive: Like a magnifying glass, it makes visible conflicts that are present but less obvious in other places—places that have more in common with Las Vegas than they do with Madisonville. After all, Wal-Mart's U.S. future will depend on how it performs in Blue-tinted urban America. Sam Walton himself was aware that as Wal-Mart spread out from its rural base, its culture would face increasingly greater strains.

That cultural strain is the first of three big reasons that Wal-Mart's deal with its workers is eroding. Sam Walton himself anticipated this. "It's true that we have more difficulty in the cities with our approach," he said in *Made in America*. "We have more trouble coming up with educated people who want to work in our industry, or with people of the right moral character and integrity." Walton seems to have believed that ultimately Wal-Mart would win out, that the corporate culture would remain even as the locale changed. But in new Wal-Mart territories like Las Vegas and Washington State, where the expectations of everyone from hourly workers to regulators are very different from those in Wal-Mart's home turf, it's not clear that Walton's optimism was justified. And you can