

CASE 3

Walmart Manages Ethics and Compliance Challenges*

Walmart Stores, Inc., is an icon of American business. With net sales of nearly \$500 billion and more than 2 million employees, the world's largest retailer and one of its largest public corporations must carefully manage many stakeholder relationships. Its stated mission is to help people save money and live better. Despite past controversies, Walmart has attempted to restore its image with an emphasis on diversity, charitable giving, support for nutrition, and sustainability. The company, along with its Walmart Foundation, has donated \$1.3 billion in cash and in-kind contributions. Walmart often tops the list of U.S. donors to charities. However, more recent issues such as bribery accusations in Mexico have created significant ethics and compliance challenges that Walmart is addressing in its quest to become a socially responsible retailer.

This analysis begins by briefly examining the growth of Walmart. Next, it discusses the company's various relationships with stakeholders, including competitors, suppliers, and employees. The ethical issues concerning these stakeholders include accusations of discrimination, leadership misconduct, bribery, and unsafe working conditions. We discuss how Walmart has dealt with these concerns, as well as some of its recent endeavors in sustainability and social responsibility. The analysis concludes by examining what Walmart is currently doing to increase its competitive advantage and repair its reputation.

HISTORY: THE GROWTH OF WALMART

The story of Walmart begins in 1962, when founder Sam Walton opened the first Walmart Discount Store in Rogers, Arkansas. Although its growth was initially slow, over the next 40 years the company expanded from a small chain to more than 8,000 facilities in 27 countries. The company now serves more than 200 million customers weekly. Much of Walmart's success can be attributed to its founder. A shrewd businessman, Walton believed in customer satisfaction and hard work. He convinced many of his associates to abide by the "10-foot rule," whereby employees pledged that whenever a customer came within 10 feet of them, they would look the customer in the eye, greet him or her, and ask if he or she needed help with anything. Walton's famous mantra, known as the "sundown rule," was: "Why put off until tomorrow what you can do today?" Due to this staunch work ethic and dedication to customer care, Walmart claimed early on that a formal ethics program was unnecessary because the company had Mr. Walton's ethics to follow.

*This case was prepared by O.C. Ferrell, Jennifer Sawayda, Michelle Urban, and Isaac Emmanuel. Jennifer Jackson made significant contributions to previous editions of this case. It was prepared for classroom discussion rather than to illustrate either effective or ineffective handling of an administrative, ethical, or legal decision by management. All sources used for this case were obtained through publicly available material and the Walmart website © 2015.