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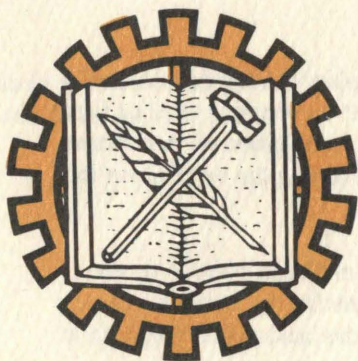
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The Belden Center for Private Enterprise Education
Harding University School of Business
Searcy, Arkansas

The Entrepreneur

GOOD BUSINESS IS GOOD BUSINESS

Harding Economics Team Wins Sixth National Championship

The Harding University Economics Team captured its sixth National Championship when it won the intercollegiate Students in Free Enterprise (SIFE) competition May 17-19 at the Holiday Inn Crown Plaza in Memphis, Tennessee, defeating finalists from nine regions.

The Team received a first place trophy and a check for \$4,000 in winning the championship. The Business Roundtable, a national organization of Chief Executive Officers, also awarded a First Place trophy and a \$1,000 check to the Harding squad for its "Halt the Deficit" campaign.

Harding's Team entry, entitled "THE AMERICAN INCENTIVE SYSTEM — A Sweet Land of Liberty," was presented in a detailed multi-media fashion that elaborated on over fifty projects and programs which have been presented to civic, professional and educational groups in the Mid-South in 1986-87.

Harding Economics Teams have won their Regional Competition for each of the last ten years. After the National Competitions were started in the late 1970's, Harding Economics Teams have won National First Place trophies and cash prizes in 1980, 1982, 1984 and 1985. The Economics Teams were National Runners-up in 1979, 1983 and 1986.

In the past decade, the student-staffed Belden Center for Private Enterprise Education, directed by Dr. Don Diffine, has received 14 awards from the Freedoms Foundation of Valley Forge in the categories of private enterprise education, advertising and public affairs, non-profit publications, platform address and published works.

Check it Out — That's the Wal-Mart Way

by
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Editor's Note: This is Part I of a four-part commemorative series saluting Wal-Mart Stores, Inc., and especially its people, for their 25th Anniversary. Part I introduces the series and describes in detail two areas: "The Total Commitment Role Model — Mr. Sam" and "Wal-Mart Means Business — Among Other Things."

Parts II, III and IV of this series will be published in the Winter 1987, Spring 1988 and Summer 1988 issues of the ENTREPRENEUR, respectively. For a preview of those topics, please see the back page of this issue.

INTRODUCTION —

What's Good for People Is Good for Business

This is a human-interest narrative about Wal-Mart associates — people who have not only committed the Golden Rule to memory but, as servant-leaders, have also committed it to life.

The result of their partnership at Wal-Mart has been an economic horn-of-plenty that has blessed people in so many walks of life for a quarter of a century. Sound too good to be true? The story is good, and it is true.

There will always be those naysayers who would say, "... but the bad done by business would fill a book." True. However, the good done by business would literally fill a library!

That "good" is the focus of this publication which surveys Wal-Mart country. The American incentive system, Wal-Mart style, does have a wonderful track record, and we should be very pleased to be partakers in it.

One reason that this writer became interested in the Wal-Mart brand of freedom of enterprise is that it solves the problems of society better than any other economic system we know, because it solves the problems of the individual.

The application of freedom to the marketplace in Wal-Mart fashion does so much more, because it allows people to achieve so much more. That freedom of enterprise, as personified by Wal-Mart, is an attitude of responsibility, citizenship, pride, dignity and decency.

Most of all, freedom of enterprise is an attitude of thankfulness. For too long, we who write and speak have just emphasized its advantages, when perhaps we should also be passing the word about its "good news."

In all of human history, only the free market has come to bear on solving the age-old problems of scarcity and poverty. Through the American incentive system, Wal-Mart has developed a superb track record of doing things that benefit people.

Wal-Mart's 170,000 associates are dedicated to saving customers time and money; it is one of the nation's premier growth retailers. Its discount store and membership wholesale club strategies have catapulted Wal-Mart to a position of being among the largest U.S. general merchandise retailers.

Why has Wal-Mart's program consistently out-performed its competitors? The answer is found in its people involvement to achieve total customer satisfaction. If one sketches back through the past quarter century and compares Wal-Mart with other discounters, there are numerous differences.

Wal-Mart's people reflect her commitment to "100% Satisfaction Guaranteed." The tandem development of efficient and cost-effective systems continues to move forward at Wal-Mart. The free flow of information and the continuous exchange of ideas with all associates are also cornerstones of the Wal-Mart philosophy.

Here is the way founder and Chairman Sam Walton put it recently: "The key to success must be that we all truly embrace the philosophy that our sole reason for being is to serve, even spoil, those wonderful customers. To keep this focus on customer service, despite our continuous change, is just as critical today as it was in those dime stores decades ago!"

So, out in front and mentoring his Wal-Mart associates is Mr. Sam Walton, a dynamic leader in American retailing who has courageously stepped forward and asked all Americans to join him in preserving and spreading the word about the human side of free enterprise.

Why? So that all of us who have been blessed so abundantly can commit ourselves to leaving our country and our way of life a little bit better for the next generation than it was when we found it.

I. The Total Commitment Role Model — Mr. Sam

This publication could easily have been written solely to celebrate the achievements of Sam Walton — capitalist, patriot, enterpriser, founder and Chairman of Wal-Mart stores — for his total commitment to nudge the American incentive system to prove, once more, that free enterprise delivers the goods.

However, this publication will primarily touch on numerous ways that the Wal-Mart organization is committed to people. The obvious role model for total commitment at Wal-Mart is Mr. Sam Walton.

So, we begin the story with Mr. Sam, who personifies the Latin phrase *primus inter pares* — "first among equals." As economics is the study of production, distribution and consumption, this writer was thrilled to learn that Mr. Walton graduated from college with a degree in economics.

Studying economics by itself won't make us rich, nor will it destine us for the soup line. Economics can give us a better understanding of how we got there.

The story of Sam Walton and his company, Wal-Mart Stores, Inc., is really an examination of two sides of the same coin. Certainly Emerson must have had someone like Sam Walton in mind when he observed that "an institution is the lengthened shadow of one man."

The writer will try to capture some of Mr. Walton's salient characteristics in this section. Mr. Walton is a symbol, an exemplar of American energy and initiative. He is a superb business strategist with a tremendous competitive spirit and a dedication to match.

Mr. Walton and Wal-Mart have a dual frame that has neither been sudden, nor has it burst and faded. Today, it remains fixed in the skies as a brightening star.

Few men in any industry have understood so well the nature and practice of the management function. And even fewer men in general merchandise retailing have done so much to

make Wal-Mart management techniques the envy of the business world.

Mr. Walton possesses dynamic personal insights into creating and running a general merchandise discount retail company in today's tough, competitive climate.

He has assembled a splendid and talented Executive Team of associate-partners who share Mr. Walton's servant-leader philosophy: dedicated, loyal, assertive, hard-working, enthusiastic, able to interact well with people, excited and willing to take on challenges, thriving on the pressures which come with great responsibility.

By their example, this turned-on, involved Executive Team actively mentors associates throughout Wal-Mart country. Like his Executive Team, Mr. Walton never gives less than his best to Wal-Mart.

The Executive Team he selected and trained, the systems he helped institute, the policies he helped formulate and the principles he infused — all are serving Wal-Mart associates and customers well.

Mr. Walton has always been able to find a way to get people, who think they are doing their best, to do better. In fact, Mr. Walton and his Executive Team are always in the stores to question, question, question.

This writer is of the opinion that somewhere along life's journey, Mr. Walton has been profoundly affected by the writings of Rudyard Kipling who said, "I had six honest serving men. They taught me all I knew. Their names were **Where** and **What** and **When** — And **Why** and **How** and **Who**."

Both imaginative and intuitive, Mr. Walton has always been ready to try new and better ways. He believes that organizations like Wal-Mart must be flexible and adaptive — that more can be accomplished through team play than through rigid adherence to an inflexible book of rules.

A pragmatist of the first order, Mr. Walton has good judgment of organizational structures and systems, as well as of the men and women of Wal-Mart.

His abundant energy becomes constructive impatience, and his boundless enthusiasm turns into startling immediacy. The activist in him says that problems are really opportunities, and they need to be dealt with — now!

There will always be those who will say, "What kind of man is Sam Walton? Why does he do so many things? Why does he work so hard? What makes him tick? What talents does he have that most others do not have?" Scores of similar questions could be addressed some day. But, Sam Walton is not easily stereotyped.

The credit belongs to the man who is actually in the arena — whose face is marred by dust, sweat and blood — a leader who knows the great enthusiasm, the great devotion and spends himself in a worthy cause . . .

. . . who, at best if he wins, knows the thrill of achievement — and if he fails, fails while doing greatly — so that his place shall never be with those cold and timid souls who know neither victory nor defeat.

— Theodore Roosevelt

From an early age, Mr. Walton developed an intense desire to succeed. He polished his tremendous powers of concentration. That, combined with unrelenting drive and experience along the way, has helped him to capitalize on opportunities to prosper the lives of people whom he has touched.

His entire adult life has been one of action. "Perpetual motion" is the reaction of the Wal-Mart associates who have worked with Mr. Walton. He has placed great faith in his Wal-Mart associates. He has trusted them implicitly, and they have come to trust him completely.

Has Sam Walton changed over the years? Of course, he most certainly has. As the writer, Tennyson, spoke through his character, Ulysses, "I am a part of all that I have met." No man can ever be fully liberated from his past.

Sam Walton's obsession has always been with excellence. He has wished for it in all things: his company, his associates, his customers, himself. He sets goals for himself, goals which he must attain. At work or on the tennis court, he enjoys the reputation of being a fierce competitor.

A hard-driving, highly competitive, resourceful executive with a near-unique talent for inspiring other people to perform better and better — it would be hard to imagine Mr. Walton in any other role, than the one he has developed so well at Wal-Mart.

Mr. Walton immerses himself completely into whatever he tackles wholeheartedly, thoroughly, completely. Such is the nature of a Renaissance man.

In a recent interview, Mr. Walton was asked this question, "How would you like to be regarded?" His modest reply says it all:

I just would like to be regarded as a good friend to most everyone whose life I've touched — as their friend, as someone who has maybe meant

something to them and has helped them some way.

. . . That, I guess, is important. I have such a strong feeling for the folks in our company; they have meant so much to me. I know they respect me. They have affection for me.

. . . I appreciate that, and I don't know that I deserve it. I don't think that I really deserve it, but it's a tremendous feeling to know that you have that relationship with people throughout the company.

All of Mr. Walton's life has been focused on one primary objective — **servicing people**. Wal-Mart's story is a legacy of what is right with and about America. As long as men like Sam Walton walk our land, we can indeed be optimistic about our future.

II. Wal-Mart Means Business — Among Other Things

What is a business? Wal-Mart provides an excellent case study. A business is both a process and an association. It is a process of anticipating and responding to customer wants, with the hope of earning a profit. It is providing goods and services, at a risk, with the hope of a profit.

A business like Wal-Mart is a voluntary association of people who are dedicated to serving the needs of customers, to the benefit of all concerned. Everyone engaged in the business (customers, associates and investors) are looking for the benefits that result from their relationship.

Each participant at Wal-Mart wants to gain some benefit from his business association, and generally each participant does. Everyone should benefit from a properly run business. Customers, associates and the investors should each derive a continuing flow of increasing benefits from their business relationship.

Specifically, Wal-Mart Stores, Inc., is a national discount department store chain offering a wide variety of merchandise to the consumer. Wal-Mart's philosophy is to offer quality name-brand merchandise at everyday low prices, as part of a clean, pleasant and friendly shopping experience.

Each local store strives to be an active part of the community and endeavors to develop a long-term partnership with its customers and associates. Wal-Mart has long stressed open communication, whereby customers and associates can provide input on the operation and merchandising of each store.

From the Chairman of the Board on down, Wal-Mart desires to maintain the highest standards of honesty, morality, and business ethics in dealing with the public.

Tom Peters, co-author of **In Search of Excellence** said it well:

While most companies pay lip service to soft things like "productivity through people," "values," and "service," excellent companies like Wal-Mart actually live these concerns with unmatched intensity and they experience direct bottom-line benefits as a result. They understand that soft is hard.

Consequently, Wal-Mart is considered to be the best managed retailer in the country today. Within the Wal-Mart 23-state trade area, there are 1,050 Wal-Mart store locations, 52 Sam's Wholesale Clubs, eight dot Drug Stores, and three Helen's Arts and Crafts Stores, with a combined total of 170,000 associates employed.

There are a total of 12 distribution centers and one general office. Suppliers who operate within Wal-Mart's 23-state area, number 2,409, providing Wal-Mart stores and Sam's Wholesale Clubs with top-quality products.

Over the past decade, Wal-Mart sales and net income have increased approximately 40 percent per year. The company has been very successful in lowering expenses as a percentage of sales. Wal-Mart has had a policy of passing along savings to customers through lower prices, when improvements have led to lower operational costs.

When taxes have been lowered and suppliers have similarly lowered their costs of operation, the savings have also been passed on to Wal-Mart customers through lower prices.

There have been a continual flow of improvements through upgraded scanning methods, automated receiving systems and other efficiency programs. Wal-Mart has also been able to lower its expenses by encouraging a continual flow of information between its divisions, to improve all areas of the business.

Open communications have provided excellent participation throughout the organization. The fine Executive Team, assembled by Mr. Walton, helps Wal-Mart remain on the leading edge of discount retailing.

At the present time, Wal-Mart commands about eight percent market share of the discount industry in the United States. By 1990, Wal-Mart will most probably have doubled its market share and be operating 1,600 stores.

It is also likely that, by 1990, the industry will have experienced additional shakeout of the smaller-sized regional discounters.

With 1987 sales estimated to be in excess of \$16 billion, it is very possible that in the next three years Wal-Mart has the potential to double its present sales. That is, there is very

likely to be as much growth in the next three years, as the total of the last 25 years.

SALUTE TO COMPETITION

My competitors do more for me than my friends do; my friends are too polite to point out my weaknesses; but my competitors go to great expense to advertise them.

My competitors are efficient, diligent, and attentive; they make me search for ways to improve my service and products. My competitors would take my business away from me if they could; this keeps me alert to hold what I have.

If I had no competitors, I would be lazy, incompetent, and inattentive; I need the discipline they enforce upon me. I salute my competitors; they have been good to me. God Bless Them All!

Wal-Mart's profitable growth has been recognized many times during the past 25 years by business and trade publications.

Forbes magazine, in its annual report on American industry, has for the past several years ranked Wal-Mart first among all general retailers (including department stores, discount and variety stores) in four reported measurements of profitability and growth.

The above mentioned measurements include five-year averages for return on equity, sales growth, growth and earnings per share and return on total capital.

Cornell University, commissioned by the National Mass Retailing Institute, which ranks discount retailers on various aspects of their earnings, reported that Wal-Mart's expense structure measured as a percent of sales, continues to be among the lowest in the industry.

The highly respected Goldman-Sach's research firm recently expressed: "Wal-Mart's record of sales and earnings growth is, in our view, unparalleled in the retail industry for its dimension, duration and consistency. The company has not experienced a single quarterly earnings-per-share decline since fiscal 1972."

Part II, the Winter 1987 issue of the ENTREPRENEUR, will further explore the following: "How Does Wal-Mart Do It?" and "Customer Service — What's Important is YOU!"

Part III, the Spring 1988 issue of the ENTREPRENEUR, will cover the following: "Associates — People Trained and Dedicated to Saving the Customer Time and Money" and "Community Service — the Rent Associates Pay for the Space They Occupy."

Part IV, the Summer 1988 issue of the ENTREPRENEUR, will conclude with the following topics: " 'Buy American' — Keep Us Strong and Working" . . . "Sam's Wholesale Clubs, Hypermarket USA Centers, and Systems — On the Leading Edge" . . . and "Summary."



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