Success Secrets for Remarkable Results

THE 10 RULES OF
SAM WALTON

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MAIN IDEA
Sam Walton is by any measure the most successful entrepreneur in the history of the world. In addition to founding Wal-Mart Discount Stores and growing the company to become the world's largest retailer, Sam Walton also founded Wal-Mart Supercenters and Sam's Club. The fact he started with nothing in a small town in Arkansas and eventually managed to build the largest and most successful company on Earth is an amazing and awe-inspiring accomplishment. In the final year of his life, Sam Walton became aware that it was likely he would soon succumb physically to bone cancer. He therefore wrote down his list of 10 rules for success based on his lifetime of real world experiences. While it is true Sam Walton applied these rules with an exceptionally high degree of discipline, anyone can benefit by learning these rules and finding ways to integrate them into what they want to do.

“If you really break down Sam Walton's 10 rules for success you'll find one is about customer service, one is about managing expenses, one is about personal commitment, one is about risk taking, and six are about how to treat people.”
— Michael Bergdahl

About of Author
MICHAELO BERGDAHL was hired by Sam Walton to be Wal-Mart's Director of the Home Office People Division. He worked alongside Sam Walton from 1990 until his death in 1992. Mr. Bergdahl was employed by PepsiCo's Frito-Lay Division before joining Wal-Mart and has worked for American Eagle Outfitters and Waste Management since leaving Wal-Mart. He is currently a full-time motivational speaker and business coach. Mr. Bergdahl is the author of What I Learned From Sam Walton and is now widely considered to be an industry authority on Wal-Mart, the world's largest retail company.

Mr. Bergdahl's Web site is at www.michaelbergdahl.net.
“What Sam Walton lacked in knowledge, skills and ability he was able to overcome with his never-say-die determination. His willpower and can-do attitude, coupled with his passion to succeed, made the difference, early on, during some pretty tough times. His belief in his dream, his work ethic, and his sheer passion made believers of the early associates (the Wal-Mart name for employees) who helped Sam Walton get his business off the ground. His enthusiasm for the discount retailing business was infectious, causing those around him to share a similar passion.”

Michael Bergdahl

One of the more interesting and less publicized aspects of Wal-Mart’s success lies in the fact Sam Walton took people who had no real formal education or professional qualifications and taught them how to be highly successful and productive personally. These executives, who really had only average backgrounds, were then able to perform at consistently above-average levels of performance because of the leadership and personal guidance Mr. Walton provided.

Sam Walton was solidly committed to his goals and dreams. He had the support of his wife who took upon her the responsibilities of raising their family so Sam could focus his energies on building his business. This was why Sam Walton was able to overcome many of the challenges which limited the achievements of so many other companies.

Sam Walton was big on setting goals that stretch and challenge. He absolutely loved to set bold goals and then enlist everyone in his organization to achieve those goals fueled by his energy and passion. He tirelessly worked at learning how to do things better. In his spare time, Sam Walton would enjoy the mental exercise of figuring out how to improve Wal-Mart’s distribution network, reduce costs, improve associate relations or lower prices. He was focused tightly on what he needed to keep doing in order to make his business successful. Once he had the formula perfected, he then relied on his executive team to duplicate that success elsewhere and to make things happen.

Sam Walton knew what he had to do to outperform the competition because he knew his own business inside and out. That meant when he spoke or made suggestions, he had credibility. He was committed to moving his business a little further ahead each and every day and challenged everyone who worked alongside him to be the best. Gradually, this positive attitude meant people start accomplishing more than they ever thought would have been possible at the outset. Nothing in the world can replace a positive
attitude when it comes to growing and operating a great business.

“It is not easy when you strive to be the best, but in the long run, it is worth it.”
– Sam Walton

▪ Have great goals which truly motivate and inspire yourself, and then have a singularity of focus.
▪ Commit to doing whatever it takes to achieve your dreams.
▪ Do something every single day which moves you in the direction of your dreams.
▪ Stay the course – develop great ideas but then focus on bringing them to fruition.
▪ Have a strong work ethic. Lead by example.
▪ Look at every potential “problem” as an opportunity to move ahead in the right direction.
▪ Train your mind and your body to become a peak performer yourself. Lead from the front and “walk the talk”.

Rule #2 Share your success with those who have helped you

Sam Walton always believed individuals don’t win, teams do. For that reason, he put a profit sharing program in place right from the start. This had the impact of transforming his employees into a high-performing team of loyal and motivated business partners. To exceed expectations, make it feasible for everyone to share in the riches of victory.

“Sam Walton believed that by sharing profits with all associates you are treating them the way you would treat a partner. Employees who are treated as partners begin to act like partners in their interactions with customers, suppliers and their own managers. Partners are empowered people, and thus associates begin to feel empowered and take their responsibilities more seriously and enthusiastically.”
– Michael Bergdahl

The concept of profit sharing was actually quite novel when Sam Walton started doing it in 1970. In later years, however, Mr. Walton would identify this practice as being the single best thing the company had ever done.

Initially, Sam Walton thought he would provide profit sharing opportunities to his
managers only. His wife Helen managed to convince him it would be better to offer profit sharing to all employees, even part-time employees. She suggested this would encourage everyone to think and act like an integral part of the business rather than being mere employees. Sam Walton saw the wisdom in this idea and started taking a set percentage of Wal-Mart's profits which went into a pool which was then disbursed to all company employees.

Profit sharing also requires that employees become educated about the company's business. This is highly beneficial because it helps employees understand what they can do better at work in order to enhance profitability. As employees get a better understanding of the overall operation of the company, this increases both their job security and their loyalty because they feel personally empowered. This is a genuine win-win situation for a company to be in.

Under the Wal-Mart profit sharing plan, the company contributes about 6-percent of each employee’s wages into a personal profit-sharing plan account. When the employee leaves the company, he or she is entitled to take whatever is in their plan either in Wal-Mart stock or in cash. In addition, employees can also earn an incentive or bonus as an additional percentage of their wage based on performance. Employees may also receive a holiday bonus which is based on their length of service with the company.

Sam Walton loved profit sharing because:

■ He said there was no downside – if the company's goals are not met, profit sharing doesn't get paid.

■ Employees suddenly became quite entrepreneurial in their outlook when they received their first profit-sharing statement. It made people more willing to do what was required for the company to succeed.

■ Everyone who worked for Wal-Mart felt like they were in a true business partnership rather than merely following orders. That created a happier workplace which in turn meant customers were interacting with people who loved what they were doing.

■ Profit sharing makes everyone take responsibility seriously. If the people at one department consider what's happening at another department is putting their bonus at risk, they aren't shy about expressing their concerns. This creates a workforce which is highly motivated and educated.

■ In order to make profit sharing work, loads of information needs to be shared and updated regularly. The existence of profit sharing enhances corporate communications and keeps everyone motivated to perform well.

“If you will take care of your people, it is your people who will take care of your customers and the business will take care of itself.”

– Sam Walton

■ If you have employees, set up a formal profit sharing program which will be highly motivating.
If people get rich through profit sharing, celebrate alongside them. Don't put upper limits on what people can earn.

Always remember information is power. If you want your employees to make intelligent decisions, you have to share everything you know with them.

Make it viable and profitable for people to stay with you and develop their own ideas rather than going elsewhere. Set up structures which entrepreneurial employees can use to bring their best ideas to fruition. Act like a highly valued partner to keep good people.

Rule #3

Motivate yourself and others to achieve your dreams

Make the people who work for you feel great. Help them do things they didn't dream they were capable of achieving. Provide them with opportunities to do impressive things and stand back while they go to work. Believe in people and let them realize their true potential.

“By believing in the abilities of people more than they believe in themselves, challenging them with big-time opportunities, and stepping back and giving them the final choice to succeed or fail, Sam Walton triggered a primal desire which was already deeply embedded in the minds of his people to compete and thrive! It's the self-fulfilling belief before you start that often determines your likelihood of success or failure.”

– Michael Bergdahl

Sam Walton always had high expectations for anyone who worked for him. Even if they came from an ordinary background, Mr. Walton would set them a high performance bar and then create the ways and means to make it happen. In this way, people gained self-confidence and a self-perpetuating cycle of greater and greater achievement kicked in.

More than anything else, Sam Walton had the ability to bring the human touch into his business dealings. He genuinely got to know and respect the people who worked for him. They, in turn, thrived because they felt like they were being led by someone who cared about their needs. Sam Walton backed up that feeling of confidence by pushing authority to make decisions as far down the organization as possible. Employees were encouraged to make “on-the-spot” decisions when dealing with customers which the senior managers were obligated to honor.

Sam Walton also worked hard to hire the best people he could find, provide them with the best training available and in other practical ways make Wal-Mart a great environment where people felt motivated to excel. Mr. Walton was an astute student of human behavior, and when combined with his down-to-earth nature and healthy dollops
of common sense, he really understood how to motivate people to do their very best work.

Some of the simple techniques Sam Walton used to motivate his people were:

■ He always treated employees well – the same way he’d like to be treated if the roles were reversed.

■ Sam Walton had employees wear name badges – so everyone could be acknowledged by name. He even wore a name badge himself which simply said, “Sam”.

■ Mr. Walton had extremely high expectations and then stood back and let people show they could rise to the challenge and find innovative ways to deliver the required results.

■ Sam Walton always led from the front. He had an infectious level of personal motivation derived from the fact he spent almost every waking hour thinking about how to make Wal-Mart better. He also had a tremendous work ethic. When Mr. Walton told everyone to work hard, it was authentic.

“Keep away from people who try to belittle your ambitions. Small people always do that, but the really great ones make you feel that you too, can become great.” – Mark Twain

■ Smile often so you create an atmosphere of approachability, openness and trust. If you can learn to smile more often, people will feel more comfortable around you.

■ Improve your listening skills. Listen completely to what others are saying rather than thinking about what you want to say next. Get others talking about their interests and concerns.

■ Learn people’s names and use them. By referring to people by name, you show you care about them as an individual. Using a person's name personalizes the conversation and motivates.

■ Look people in the eye when talking with them. Show them they are important and have your undivided attention.

■ Build your human relations skills.
“For Wal-Mart, having information is the difference between having the ability to adapt quickly to changes in the market and utter chaos. Without a steady stream of good information the company would be paralyzed and implode under its own weight. As the largest company in the world with a new store opening every day of the year somewhere in the world, Wal-Mart's leaders are saddled with a huge communication challenge. Company leaders attack this challenge via a variety of methods, including live satellite broadcasts, Wal-Mart TV and radio, a company newsletter called Wal-Mart World, the Company Web site, e-mail, company training programs, an open door policy, employee opinion surveys, an associate handbook, and daily ‘stand-up’ communication meetings in every Wal-Mart store.”

– Michael Bergdahl

Sam Walton never thought he could solve every problem Wal-Mart faced himself. He was smart enough to realize meeting all the different challenges would require the combined effort of everyone in the organization. To enable that to happen, Mr. Walton used technology intelligently to provide every employee with detailed information about the business. He always believed the advantages of telling everyone everything there was to know outweighed the potential risks this information would find its way to competitors. In short, Sam Walton trusted employees of Wal-Mart to act like business partners rather than merely as hired hands.

One particular approach to this communication challenge is the Wal-Mart concept of “thinking small”. Store managers are encouraged and empowered to do whatever is required to make their own store successful and profitable. If a store comes up with a great new idea, that idea is then scaled up and applied elsewhere. By thinking small, Wal-Mart can avoid the big organization binders which have traditionally affected large enterprises and made them less agile or responsive.

Sam Walton put in place simple yet effective communication practices at Wal-Mart:

- Every Saturday morning at 7am, Wal-Mart's management team gather at headquarters to discuss what has been learned that week and what needs to change. New directives are sent to each store that same day.

- In each Wal-Mart store, a stand-up all-hands meeting is held each morning. This meeting is short and focused on passing on new information. It’s held with everyone standing up so it doesn't drag on too long.
- Wal-Mart has an intranet Web site which everyone can access at any time.

- Store managers participate in a telephone conference call with their district managers every Saturday morning where they hear the latest company news.

- Wal-Mart's executives get out into stores to see what's happening every week.

“You can't 'merchandise the world' by sitting at your desk. The folks on the front line – the ones who actually talk to customers – are the only ones who really know what's going on. You'd better find out what they know.”

– Sam Walton

- Set up regular meetings where you can pass on up-to-date information to those who work for you.

- Use the latest developments in communication technology to enhance the flow of information throughout your organization.

- Tell employees all there is to know about your business so they have enough information to contribute worthwhile ideas.

- Think local – but keep an eye out for what works elsewhere as well and use those ideas to best effect.

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**Rule #5**

Appreciate and recognize people for both their effort and their results.

Showcase the people in your organization who come up with great new ideas or who simply do the right things consistently. Recognition will not only make the person feel good themselves but it will also signal your organization values new ideas highly. Show and express appreciation for genuine effort and results.

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“Sam Walton believed in accentuating the positive behaviors of associates publicly and eliminating their negative behaviors in one-on-one discussions behind closed doors. He expected managers to wander around looking for noteworthy accomplishments to highlight in their daily meetings held with associates. So many organizations are good at catching people doing things wrong. Sam Walton believed in catching people doing things right! By identifying the associates who were demonstrating the correct behaviors and showcasing those accomplishments for all to see, he believed in creating local heroes in the stores, distribution centers, and fleet.”

– Michael Bergdahl

Sam Walton was very good at motivating people. Part of this success was an extension
of his upbeat can-do personality, but he also had the knack of intuitively understanding people crave recognition and a sense of accomplishment. Mr. Walton went out of his way to ensure ordinary people doing their jobs well were recognized for their efforts.

Mr. Walton also treated everyone equally. Executives don't have any perks other employees couldn't access themselves. The Wal-Mart headquarters didn't have an executive dining room or even private bathrooms. As far as Sam Walton was concerned, every employee was just as important to the success of the company and deserved to be treated equally. What was fair for one was fair for all, and he didn't believe you could say one thing but then turn around and do something entirely different. Wal-Mart executives fly coach class and are expected to stay two to a room in budget hotels when they travel, just like everybody else. Sam Walton believed in this so passionately he even did so himself, even though he was a billionaire many times over. He believed in setting a good example.

Wal-Mart also excels at providing performance feedback to its employees. Excellent performers receive encouragement to keep doing what they're doing right but equally nonperformers also receive feedback on where they are falling short and what needs to be done to remedy the situation. Supervisors aren't hesitant to address performance issues openly and candidly. This is great because it creates a workplace where people know what they're doing right and wrong.

More than anything else, however, Sam Walton's overriding preference was to catch employees doing things right. He loved to accentuate positive behavior openly and effusively. He was an achievement finder and recognizer rather than a fault finder. He spent the majority of his time praising the work of the top performers within the organization. This is a much more positive way to do business which also aligned perfectly with his personal beliefs and preferences.

“Treat people the way you would want to be treated. You should set high expectations in everything that you do. It's your people who make the difference.”
– Sam Walton

- Catch your employees doing things right and recognize them publicly. Create a recognition culture for your organization.

- Never leave anyone with any doubt you care about them as a person and recognize their efforts.

- Treat everyone equally and openly.

- Get out of your office frequently and manage by wandering around finding the good things which are happening.
Sam Walton was one part preacher like Billy Graham, one part ringmaster like P.T. Barnum, and one part comedian like Bob Hope. He was a charismatic leader with a sense of humor who enjoyed preaching his philosophies to his disciples every chance he had. He also truly enjoyed being out on center stage like a ringmaster at a shareholders meeting or at a Saturday morning meeting, hawking his wares and giving his loyal followers direction. You never quite knew what Sam Walton would talk about, but you knew whatever he said would be inspirational and that it would be peppered with humor most of which was directed at himself or at one of the members of his executive leadership team.”

– Michael Bergdahl

On a trip to a tennis ball factory in Korea, Sam Walton noticed all the workers got involved in doing a cheer. He loved the idea, and went back and developed the now-famous Wal-Mart cheer. It went something like this: “Give me a W! Give me an A! Give me an L! Give me a Squiggly! Give me an M! Give me an A! Give me an R! Give me a T! What's that spell? Wal-Mart! Whose Wal-Mart is it? My Wal-Mart! Who's number one? The customer...always!” Whenever Sam Walton visited a store or a distribution center, he would enthusiastically lead the cheer at fever pitch with everyone involved in full voice. As corny as this may sound, employees loved it because it set Wal-Mart apart.

Sam Walton did lots of different things to create an atmosphere of fun at Wal-Mart. In the process, he created powerful emotional connections with the people whowork there. He also realized the work which needed to get done would happen a lot more smoothly in a fun, friendly and welcoming environment rather than in a somber, highly disciplined workplace. Mr. Walton was smart enough to realize customers come to Wal-Mart for the bargains but they also want shopping there to be a great experience and that is more likely to happen if the people who work there are happy and positive.

So how, exactly, did Sam Walton create a culture of having fun while still working hard? As with most things, this was more a combination of small things rather than any single event, but some of the more obvious factors were:

■ Success celebrations were an integral part of every weekly staff meeting held every Friday. Anything and everything was celebrated – employee birthdays, when this year's sales exceeded last year's sales, etc.
Sam Walton ran lots of individual and team contests. He would post the goals all around the office and then report regularly on how everyone was doing. Naturally, he didn’t excuse himself from these contests but participated whole-heartedly. In one famous incident, he promised to do a hula on Wall Street in the early 1980s if the company achieved a pretax profit of 8-percent or higher. Wal-Mart achieved that goal and accompanied by real hula dancers, ukelele players and the press corps, Sam Walton donned a grass skirt and hula’d his way down Wall Street as promised.

Wal-Mart did loads of other zany things. It wasn’t unusual for managers to get a cream pie in the face, to have to dress up like a clown and greet customers for a day or to shave their heads when a goal was achieved. Everyone entered into the spirit of these occasions with zest and enthusiasm, all of which contributed to the overall esprit de corps.

Sam Walton himself had exceptional people skills. He would remember people’s names and make them feel important. He was polite in conversations, never failing to look people in the eye and say “please” and “thank you”. Mr. Walton would send out handwritten thank-you notes to employees and customers. He personified the Wal-Mart ideals and was, in effect, a walking sermon for the company’s values.

“Everything else Wal-Mart does is visible for competitors to observe and replicate, but they can’t duplicate our unique Wal-Mart culture.”

Sam Walton

Find things to celebrate in your own business, and then come up with something memorable to note that success.

Make recognizing personal achievements a part of every staff meeting you run.

Create some internal contests or competitions with rewards which will get everyone happy and fizzing.

Whenever your organization achieves a milestone, mark it with a well-run celebration.

Do some fun stuff.

Instead of lecturing people on how to do something new, create a fun activity which will make learning and doing that a fun experience for everyone.
Sam Walton acknowledged the single most important thing that he did for Wal-Mart was his visits to his own stores. He would rather be out with the folks doing the real work of retail than sit around in meetings in the home office. He really felt he could help the stores by visiting them; if something needed fixing, he could help them fix it. While out in the stores, he was on a very specific mission. His goal was to gain firsthand competitive intelligence about his competitor’s stores, talk to and learn from some of his own customers, and most important of all spend time talking with his own employees.

― Michael Bergdahl

More than anything else, Sam Walton epitomized the “servant leader” ideal. He didn’t consider Wal-Mart’s employees were there to report to him. Instead, he believed his role was to provide the employees with everything they need to create a satisfied Wal-Mart customer. Mr. Walton would never ask any employee to do anything he was not prepared to do himself.

Mr. Walton considered his employees were business partners with him. He always gave his people responsibility to get on with their jobs. Sam Walton asked everyone for their best ideas and then actually used those ideas to improve his business. Every time he visited a store, he would hold an impromptu staff meeting where he would talk a little but also listen a lot. He expressed appreciation for the efforts of everyone and established strong, personal bonds with those who were employed by Wal-Mart. In short, he treated his people respectfully rather than like hired hands. That laid a very strong foundation for effective teamwork to happen to achieve company goals because everyone felt such a strong personal bond with Sam Walton.

Mr. Walton's people skills were, however, genuine. He sincerely cared about the people who worked for Wal-Mart rather than trying to use this as a good management technique. He was down to earth and related to their personal needs. Sam Walton was friendly and very approachable. The company has always had an open door policy and anyone with a good idea would never hesitate to suggest it to Mr. Walton. He became highly adept at putting people to ease when they were around him and this also contributed to his success.

Sam Walton believed in gathering ideas from everyone, including people who were being interviewed at Wal-Mart for a job. It was his practice to sit down with his notepad and pen poised, and to say something along the lines of: “You know, the company you work for has been very successful. I have the greatest respect for what they have
achieved. What do you believe is the secret of their success?” Mr. Walton would then listen carefully in an attempt to gather information about what other companies were doing or perhaps even to try and find some leverage point which may prove useful in future negotiations with that business. Sam Walton demonstrated that everyone should be a continual learner.

“It is amazing what a team of selfless people can accomplish if nobody is worried about who is going to get the credit in the end.”

– Sam Walton

- Conduct regular grass-roots opinion surveys to find out what employees really think.
- Set up other methods to regularly track how employees feel about your company.
- Take ideas from the people who interact with customers on a daily basis. They have the best handle on what customers want.
- Make it easy for people to talk to you by being accessible.
- Practice active listening – focus on what's being said and what's behind the words.
- Empower front-line people to do whatever is required to create satisfied customers and back them up.
- Have the mind-set leaders serve those who work for your organization, not the other way around.

“The Wal-Mart way is to try and exceed the customer's expectations every time they come into the store. Sam Walton actively encouraged everyone to live by the standard: satisfaction guaranteed. He worked long and hard to make Wal-Mart known for legendary customer service levels regardless of how large the company became.

“Sam Walton established his ‘Wal-Mart way’ of exceeding the expectations of his customers long before the management consulting service gurus latched onto it as a new wave idea for business success. In the early days, he didn't refer to his service standard as exceeding the customers' expectations because exceeding was already his standard for the normal day-to-day service he expected associates to provide customers, always!”

– Michael Bergdahl
Sam Walton's business strategy was designed right from the outset to separate Wal-Mart from other retailers. His strategy consisted of two basic elements:

1. Offer a wide product range (one-stop shopping) at great prices to get people to come into the store.

2. Keep customers coming back again and again by providing them with truly exceptional customer service.

Ideally, Sam Walton's goal was to have everything the customer could ever want to purchase available inside his stores so there was no reason for customers to ever need to go anywhere else. He realized, however, his competitors were also going to be trying to achieve the same aim, so Mr. Walton decided early on the best way to distinguish Wal-Mart would be by combining every-day low prices with the best service offered by any retailer.

Sam Walton's three basic beliefs around which he built his company were:

1. Respect for each and every individual.
2. Providing excellent service to the customer.
3. Striving for excellence in every aspect of the business.

To put these basic beliefs into action, Wal-Mart goes to quite extraordinary lengths to provide customer service. Some practical examples:

- The company has a “10-foot rule” – which requires each employee to promise whenever they come within 10 feet of a customer, they will “look ‘em in the eye, greet ‘em and ask ‘em if you can help ‘em”. This is a customer service edict Wal-Mart still practices to this day.

- Every Wal-Mart has a service desk right at the front of the store – where customers can return items they have purchased no questions asked. Some stores have even refunded customers for items purchased elsewhere in order to create a satisfied customer who will come back to Wal-Mart in the future. This sends customers a strong message they can buy anything at Wal-Mart and if they don't like it or don't want it, the item can be returned for a complete refund.

- Sam Walton introduced people greeters – hosts who stand by the entrance and thank shoppers for coming in and help them find what they are looking for.

- Wal-Mart stores pioneered a concept called “retailtainment” – to make shopping fun and more interesting. Customers are invited to visit specific parts of the store and participate in contests, games and product giveaways.

“There is only one boss. The customer. And he or she can fire everybody in the company from the chairman on down, simply by spending his or her money somewhere else. Let's be friendly to our customers by offering them a smile and a shopping cart when they enter our stores. Let's give service above and beyond what our customers expect. Let's exceed our customers' expectations. If we do that, they'll come back again and again.”

– Sam Walton
Become obsessed about providing the best customer service experience in your industry.

Find practical ways large and small by which you can exceed the expectations of your customers.

Do whatever is required to make a happy customer, even if you risk being taken advantage of. You’ll make it back over the long haul if you can create a satisfied customer.

Try and form quality partnerships with your vendors and work together to improve your products and delight customers.

Sam Walton grew up during the Depression years, and accordingly he loved to find ways to cut costs. As a result, Wal-Mart has a consistently lower cost structure than its competitors, which is good because these savings are passed on to customers in even lower prices. Controlling expenses is one of Wal-Mart’s key competitive advantages.

“Sam Walton was the first to admit that he was cheap as the day is long. He was tightfisted when it came to spending money, and he was proud of it! He trained the rest of his team to think exactly the same way. He believed that one of the fast ways to drop big-time dollars to the bottom line was by either not spending money unnecessarily in the first place or by ferreting out cost savings in every conceivable area of his operation. It is a fact that Sam Walton controlled his expenses better than any of his competitors, but the thing that is really extraordinary is how he got everyone else in his company to think and act like tightwads too!”

Michael Bergdahl

Sam Walton's passion for thrift was legendary. He didn't have any time whatsoever for spending money foolishly. He also encouraged anyone who had an idea on how Wal-Mart could save money to speak up. The fact most Wal-Mart employees were in a profit sharing plan encouraged them to spend the company's money wisely but most of all, saving money was ingrained as an integral aspect of the Wal-Mart culture.

Mr. Walton and his management team set the right example in this area. On many store visits, Sam Walton would buy some food items from the store's food department, tell everyone else to buy what they wanted to eat and sit down to talk business over lunch in the break room. The fact a billionaire didn't feel any need whatsoever to splash money around wastefully sent a strong message everyone should be careful and frugal.
Wal-Mart's buyers are also well known for demanding the best possible price for good-quality goods. Buyers aren't allowed to accept any gifts from vendors, even meals. That means everyone is forced to deal straight up on price in an arms-length relationship. And just to keep things honest, Wal-Mart manufactures its own line of private-label goods. The company makes generic versions of existing products. All of this is an honest effort to provide value to customers because Wal-Mart passes on its cost savings in lower prices rather than capturing higher hidden margins for itself.

In short, Wal-Mart employees spend the company's money as judiciously as they would spend their own. They go to great lengths to get the best possible deal for the company, believing ultimately their efforts will be reflected in their profit-sharing bonuses. And happily for everyone, especially customers, their efforts are often rewarded just that way.

“We've said it through the years – Do It, Try It, Fix It. Not a bad approach and it works. There are a lot of people out there who have great ideas, but nothing in the world is cheaper than a good idea without any action behind it. The problem is usually finding someone who is willing to implement it. We must continue to urge our associates to be implementers – action-oriented doers. It's a whole lot more fun and it accomplishes so much more. Being action oriented is so important and thank goodness our Wal-Mart team and associates have been, and are geared to be action oriented. Let’s not lose it.”

— Sam Walton

- Ask everyone who works alongside you for ideas on how your business can cut its costs.
- Approach your vendors and ask how you can work with them more closely to drive costs out of your supply chain.
- Provide practical and meaningful rewards for everyone who comes up with a good cost cutting idea for your business.
- Set the right example from the top down.
- Keep your supplier relationships at arms length so the only deciding factor is cost, not personal relationships.
- See whether it is feasible to develop and market your own private-label line of products and services.
“Circumstances forced Sam Walton to be different and to swim upstream, and because of his unique approach he intentionally and admittedly broke many of the conventional rules for how things were to be done. Along the way in his quest to succeed, he challenged many of the existing business and leadership paradigms. While Sam Walton was out innovating in rural America, others didn't take him seriously enough to imitate his trail blazing practices. His competitors continued down the tried and true path, seemingly unaware that competition as they had always known it had changed forever. Competitive strategies that they had used in the past weren't going to work any longer as a result of Sam Walton challenging the status quo.”  
– Michael Bergdahl

Sam Walton challenged the status quo all the time as he established and grew Wal-Mart. Every time he faced a challenge, he had a knack for turning that into an opportunity to move forward in a better way. He had loads of small failures as well, but his willingness to take calculated risks meant he was learning all he could from his setbacks which he could use to come up with big breakthroughs later on.

So how did Sam Walton encourage innovation? His approaches are actually easy to describe:

■ Sam Walton simplified everything – and told his people to focus on customers one at a time. He started things small and then scaled up what worked rather than trying to drive everything from the top down.

■ Wal-Mart invested heavily in information technology – so the company could fine-tune its business model on the strength of superior information. Wal-Mart is now investing extensively in RFID (radio frequency identification) tags which will help the company track sales by day, by hour, by department and by individual item.

■ Sam Walton opened his books and shared confidential information with his employees – so they became partners in moving the business forward rather than hired hands.

■ Sam Walton evangelized the Wal-Mart way – by meeting with his employees at every opportunity. He kept everyone informed about the company’s goals, progress-to-date and then asked for input and ideas. Two-way communication actually
flows at Wal-Mart creating a competitive advantage.

- Sam Walton had a firm open-door policy – meaning he was always open to any new idea from anyone.

- Wal-Mart formed strong and vibrant vendor partnerships – so he could access supply chain efficiencies. Suppliers have always been treated as full business partners at Wal-Mart.

- Sam Walton introduced EDLP (everyday low pricing) – meaning he did everything possible to price merchandise at the lowest possible price. When suppliers lowered their prices, he passed those savings on to customers rather than trying to increase Wal-Mart's margin. The low prices attract more customers, which in turn means Wal-Mart does more business and therefore can get better prices from suppliers, and so forth. The fact Wal-Mart doesn't run sales but keeps its prices low all the time is very popular with consumers.

- Wal-Mart focused on merchandising well – which sometimes meant having less crowded stores. At a time when other stores were moving to cram more items into their apparel departments, Sam Walton gave instructions to allow at least 36-inches of space between the racks so people could get around with their shopping carts. Doing this actually increased sales by more than 20-percent.

- Sam Walton set up efficient logistics – so goods could be delivered in pallets on one side of his distribution center and immediately shipped out to stores on the other side of the warehouse. Nothing stays in Wal-Mart's warehouse for more than 24 hours, creating a highly efficient distribution system.

- Wal-Mart continues to try new store concepts – like small grocery stores called “Neighborhood Markets” opened in markets where Wal-Mart Supercenters already exist. These small stores are designed to cater to those people who don't want to fight the crowds. Neighborhood Markets have grown Wal-Mart's sales without cannibalizing the volume of business generated by the Supercenters.

In all, Sam Walton loved to zig when everyone else in the industry was zagging. Probably due more than anything else to the fact he was a continuous learner, Sam Walton wasn’t afraid to do his own thing. He was never satisfied with the status quo and kept looking for better ways to do everything. Wal-Mart has always been quick to adapt to changes in the marketplace. Trying new and innovative ways of doing business is embedded deeply in the company culture.

“I'd like to say that we're a diverse collection of mostly average people – almost a melting pot, if you will, of former retailers, housewives, college trainees, and just people from all walks of life. But the factor that sets us apart from the beginning are those qualities hidden inside for the most part in our associates that seemed to confound the experts. One of those qualities I'm contending our people have is a strong will to win. Our people want to win so badly that they just go out there and do it. Even though everybody has told them they can't succeed, they just go out there and succeed anyway. Our method of success, as I see it, is ACTION with a capital ‘A’ and a lot of hard work mixed in.”

– Sam Walton
Try and think outside the square more often. When everyone else in your industry is doing one thing, look at whether there isn't a better way to achieve the same thing.

Ask your employees for ideas and try what they suggest.

Encourage people to take calculated risks. Don't be hard on failure but make it easy for people to move on.

Blaze your own trails in business by challenging the tried and true ways of doing things.