BIOGRAPHY & MEMOIR

Sam Walton: Made in America

by Sam Walton and John Huey

The Walmart founder tells how he built the world's biggest retailer from one small-town store.

BEST POINTS FROM THE BOOK

01 **Commit to your business. Believe in it more than anybody else.**

Rule 1. Walton says sheer passion let him overcome every shortcoming he had - and out-work bigger rivals for over 30 years.

02 **Cut the price, and let volume make you rich.**

His founding math: buy an item for 80 cents, sell it at $1.00 instead of $1.20, and you sell three times as much. Lower markup, far more total profit.

03 **Share your profits with your associates, and treat them as partners.**

Rule 2. Profit sharing, stock, and a real stake in the store. He said the profit-sharing plan was what he was proudest of in the whole company.

04 **Motivate your partners with high goals and competition - money alone is not enough.**

Rule 3. Set stretching goals, encourage rivalry, keep score, make bets, let people switch jobs - and never become so predictable that the work goes flat.

05 **Communicate everything you possibly can to your partners.**

Rule 4. He posted store-by-store numbers for all associates to see, because people cannot do their best work without knowing how the business is doing.

06 **Appreciate everything your associates do for the business.**

Rule 5. A few well-chosen, well-timed, sincere words of praise cost nothing - and, he said, are worth a fortune. He called appreciation the best motivator of all.

07 **Celebrate your successes, and find humor in your failures.**

Rule 6. His 'whistle while you work' culture: loosen up, be a little goofy, and hold the famous Saturday morning meeting where mistakes get admitted, fixed, and laughed about.

08 **Listen to everyone in your company - the best ideas come from the floor.**

Rule 7. Clerks and truck drivers saw what headquarters could not. He spent his days visiting stores, asking questions, and pushing responsibility down to the people doing the work.

09 **Exceed your customers' expectations. The customer is the boss.**

Rule 8. Give people what they want and a little more, and they come back over and over. Even with suppliers, he insisted: you are not negotiating for Wal-Mart, you are negotiating for your customer.

10 **Control your expenses better than your competition.**

Rule 9. Every dollar wasted comes right out of the customer's pocket. He flew coach, shared hotel rooms, and held office costs near 2% of sales so prices could stay the lowest.

11 **Swim upstream. Go where the big chains will not.**

Rule 10. Experts said discounting could never work in small towns - Kmart ignored towns under 50,000 people while Wal-Mart thrived in towns under 5,000 and locked them up first.

12 **Own your distribution, and grow ring by ring around it.**

Every store sat within a day's drive of a warehouse. Fill in that territory town by town until it saturates, then build the next centre. He said distribution and technology mattered as much as the stores themselves.

THE BOOK, IN SHORT

Sam Walton opened a Ben Franklin variety store in Newport, Arkansas in 1945, funded by a $20,000 loan from his father-in-law plus $5,000 of his own savings. He built it into the chain's best store in the region - then his landlord took it over, because the lease had no renewal clause. He calls it the low point of his business life. He started over in Bentonville, kept experimenting for another decade, and opened the first Wal-Mart in Rogers, Arkansas on July 2, 1962 - an overnight success, he jokes, that was twenty years in the making.

The model was discounting, and the math was simple: buy an item for 80 cents, mark it at $1.00 instead of $1.20, and sell three times as much - less profit per item, far more profit overall. He aimed it where rivals would not go. Big chains like Kmart chased cities of 50,000 people or more; Wal-Mart made its living in towns of under 5,000. Around each warehouse he built a ring of stores within a day's drive, filled the territory in town by town, and invested early in trucks, distribution, and computers to feed them all cheaply.

The people system mattered just as much. Walton called his workers associates, shared profits and company stock with them, and posted each store's numbers openly - because, he argued, the way management treats the associates is exactly how the associates will treat the customers. Headquarters existed to serve the stores, not the other way round. He visited stores constantly, held the famous Saturday morning meetings to review the week's numbers and spread the best ideas,

and cheerfully stole good ideas from competitors - Sam's Club was copied from Sol Price's Price Club. Competition, he insisted, did not scare him; it sharpened him.

Frugality ran through everything: coach flights, shared hotel rooms, a plain headquarters, office costs held near 2% of sales. Every dollar Wal-Mart wasted, he said, came right out of the customer's pocket - and every dollar saved put them one step ahead of the competition. Money itself never interested him much; he kept score in satisfied customers. The game of competing and winning was the point.

The book closes with his 10 Rules for Building a Business: commit, share, motivate, communicate, appreciate, celebrate, listen, exceed expectations, control expenses, and swim upstream. His warning: the rules are easy to read and brutally hard to do every single day. Almost nobody does - and that gap, he says, is exactly the opening for anyone who will.

DO THIS WEEK

This week, run Walton's favourite play: the waste hunt. Write down three small, boring places where money leaks out of your work or business - a subscription, a supplier, a routine cost nobody questions. Cut or renegotiate the biggest one, then pass the saving on where a customer can feel it: a lower price or a better product. His whole empire was that one move, repeated for thirty years.

By Sam Walton with John Huey, first published 1992 (Doubleday), the year Walton died. Read it if you run any store or team - it is the plainest guide ever written on low prices, lean costs, and treating workers as partners.