

Leadership at Wal-Mart

Transactional and transformational leadership at Wal-Mart

Burns (1978) states that leadership can be of two types – transformational and transactional. Transformational leadership has been defined as the leadership style that changes significantly the life of people and the society in which the leader operates. It is meant to bring about big changes in the lives of follower, thereby making their lives better and more fruitful. Transactional leadership is more focused on various transactions that the leader or manager makes with his or her subordinates. It works on a “give and take” relationship where a leader provides a reward or punishment in return (or lack) of the work that the subordinate is putting. The aim here is to reach certain specific goals.

For a company as successful as Wal-Mart, it is essential to have both the forms of leadership in place. While transformational leadership is essential to give the company direction and vision, transactional leadership is required to run day to day operations. Following section discusses how the two forms of leadership contributed to the success of Wal-Mart.

Transformational leadership

Transformational leadership is at the core of Wal-Mart since Mr Sam Walton, founder of Wal-Mart was a visionary and transformational leader. Following are the ways in which transformational leadership have contributed to Wal-Mart’s success

- **Visits to Wal-Mart stores by CEOs:** Visits to Wal-Mart stores by all the managers and top officials, including the CEOs have been a regular feature throughout Wal-Mart’s history. This has changed the way things work at Wal-Mart. Managers and leaders understand the business better and are aware of the ground realities. This also makes a huge difference in the way employees work at the stores.

A very good example is related to the visit of Mike Duke, current CEO, to the stores in China. Because of this visit, it was discovered that Wal-Mart is not stocking local banana which is cheaper than the imported ones. Action was taken very swiftly to rectify this. Another similar example is the stock problems related to ladies underwear. These examples highlight the impact that these visits have on the overall business.

These visits are also important to motivate associates. The visits make a lot of difference to the associates who get a chance to meet the top management. The leaders at Wal-Mart

also emphasize the fact that the best ideas come from the people working at the stores and accessing these ideas and implementing them is essential to keep improving the business.

- **Project Impact:** The adoption and then the reversal of project impact shows that leaders at Wal-Mart have not been averse to taking big decisions that impact the whole company. The company strives to take actions based on customer preferences and feedback. Project impact was launched based on customer feedback and then reversed when the number of customers declined in the stores. These steps transformed the stores completely as well the shopping experience for the customers.
- **Willingness to take tough decisions:** The decision to close operations in Germany and admit defeat there was a very tough one for a company like Wal-Mart that is used to getting success all over the world. However, that did not prevent leaders from taking this decision that was costing the company a lot of money. This again changed the way operations were viewed at Wal-Mart. No market and no place were indispensable and the decisions were to be based on logic.
- **Building leadership pipeline:** Various CEOs at Wal-Mart have put a huge emphasis on development of a leadership pipeline. One of Duke's main goals is to recruit and develop vast numbers of new leaders talented enough to implement his vision and re-create Wal-Mart's success at home in growing markets like China and India. This transforms an organization by creating leaders at different levels and making sure that the company is able to expand well under new leaders.

Transactional leadership

While transformational leadership gave Wal-Mart the strategy and vision, transactional leadership was responsible for executing the strategy and running day to day business at the stores. This form of leadership impacted the company in the following manner:

- **Promotion of high performing individuals:** The case study shows instances when people were promoted on account of their performances in the previous role. This serves as a big motivation factor and is a great example of how effective transactional leadership can be. Mike Duke was promoted as the CEO of Wal-Mart after being successful at handling international operations for the company. Bill Simon, who had been COO of Wal-Mart US for the past three years, was made the head of that division. Simon was

known as “a very capable executive with strong ideas of his own” and was awarded for his capabilities. This was the norm at Wal-Mart where good performance was rewarded with promotions and rewards.

- **Good balance of standards and freedom:** Wal-Mart has a good balance of control and standards at one hand and freedom at the other. Store managers and associates have a lot of freedom to set up and stock the store according to their own decisions. When project Impact was launched, there was some loss in the autonomy of the store managers. But top leaders at Wal-Mart realized the negative impact of project Impact and were quick to reverse the decisions and give more autonomy to the store managers.
- **Relationship with Suppliers:** Wal-Mart’s relationship with suppliers is based on the model of give and take. Wal-Mart pushes for cheapest prices and in return provides assured orders in large quantities to its suppliers. The company also provides knowledge and know-how to improving the processes and supply chain efficiency of suppliers, thereby forging an alliance with them. The leaders at Wal-Mart have also taken suppliers into the ambit of green business practices by launching the Sustainable Product Index to track progress made by its suppliers.

Other Aspects of Leadership at Wal-Mart

Wal-Mart has been so successful because the leaders at Wal-Mart have always been able to infuse the energy, motivation and method required to run such a big company. Good leadership has been the most important factor in taking the company to new heights. Some aspects of the leadership clearly visible at Wal-Mart are:

1. **Charismatic Leadership:** This form of leadership is most commonly identified with the founder, Sam Walton. Lussier and Achua (2009, pp 337) explain this concept by mentioning the abilities of a charismatic leader to:
 - *garner strong personal attraction from followers*
 - *articulate a compelling and evocative vision*
 - *enhance followers self conception.*

Sam Walton had all these qualities and these were responsible for the establishment and expansion of Wal-Mart. He instilled the confidence, ownership and customer service

qualities in the associates across the stores of Wal-Mart. He cared about the employees and truly believed that happy employees will lead to happy customers. He encouraged the associates to talk openly and express their views. This fundamentally led the culture at Wal-Mart that is even followed today. The following CEO's worked towards strengthening this culture and spreading it to new locations of Wal-Mart.

- 2. Visionary Leadership:** This is another form of leadership necessary to build a company such as Wal-Mart. Goethals et.al. (2004, pp 856) define visionary leaders as the ones who "*interpret current reality and shape collective visions of the future*". These leaders provide the direction to the company and set a common objective that everyone strives to achieve. Wal-Mart's mission statement provides a good objective for everyone to follow: "Wal-Mart's mission is to help people save money so they can live better." (Wal-Mart, 2011) This clearly states the emphasis put on the customer service. The leaders at Wal-Mart had a vision to take the company global and stock the stores with maximum number of items. It is this vision that led to the success of the company. The vision of providing goods at the lowest prices saw them garner biggest market share and allowed them to expand rapidly. Walton used the vision of providing goods at the cheapest price as a tool to motivate and guide associates and managers. According to Frank (2006), he framed the frugality and cheapness as a campaign on the behalf of American consumers, providing them with a better life in the process.
- 3. Ethical leadership:** Ethical leadership means leading in such a manner that dignity and rights of others are respected (Trevino et.al., 2003). Leaders at Wal-Mart lay a lot of emphasis on employee satisfaction and Sam Walton firmly believed in the fact that happy employees lead to happy customers. Though there have been some allegations against Wal-Mart in this regard, lately the leaders have taken the issue head on and have started various employee engagement programs. Creation of the President's Global Council of Women Leaders is one such initiative taken by Mike Duke. Also, lot of autonomy is provided to various associates and they are encouraged to speak their mind. As a result, lot of good ideas flow and it all finally results in superior performance. Lee Scott was instrumental in taking up the environmental issues and health benefits for the employees. This improved the company's image and shed off some negative publicity that was generated.

4. **Strategic leadership:** Strategic leadership is defined as “*the ability to anticipate, envision, maintain flexibility and empower others to create strategic change as necessary.*” (Hitt, 2002, pp 11). Good strategy has always been the success factor behind the performance of the company. Strategy to become cost leaders and expand at the right time was instrumental in making the company what it is today. The leaders were not averse to admit defeat and roll back the strategies that did not work. Withdrawal from Germany was a great example of this trait. Project Impact provides another example. Mike Duke was quick to reverse the flawed merchandising strategy that saw declining sales in the stores. Leaders at Wal-Mart continue to design strategy and shape the future of the company. Wal-Mart is opening the expanding markets to keep the growth momentum going. It is also opening new stores in US and increasing its footprint in the urban areas.
5. **Shared/distributed leadership:** Bowerman and Wart (2011, pp 333) say the following about these leadership styles: *Distributed leadership emphasizes the sharing of functions through empowerment mechanisms such as participation and delegation. Shared leadership is one form of distributed leadership. It is based on the normative assumptions that various types of distributed leadership exist and are useful.* Shared leadership is when several people share the leadership responsibilities in an organization and are jointly responsible for leading the organization. It is impossible to manage a company as big as Wal-Mart without exercising this form of leadership. Wal-Mart gives a great deal of autonomy to leaders at various positions, right down to the store managers. Many innovations in the company come from mid-level managers and leaders. There is a leader for each country and each major function.
6. **Chaos, Complexity and Leadership:** No other company in the world has to deal with the kind of chaos and complexity that Wal-Mart deal with. With sales of \$408 billion in 2010, there are huge social, legal and logistic issues that come with running an operation so enormous. The leaders are currently working to reinvigorate the US business, continue addressing the social issues, recruit and develop vast numbers of new leaders talented enough to implement Wal-Mart’s strategy and re-create Wal-Mart's success at home in growing markets like China and India. In addition to this, as per the culture of the

company, the leaders have to be in touch with the ground realities and be aware of goings at the store level.

Overall, the leaders at Wal-Mart have been very successful in exhibiting the discussed forms of leadership to take the company to new heights. The challenge has not ended and now the big challenge is to further grow such a giant company. Present leaders seem equipped to do the job.

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