At Any Cost
The Wal-Mart & GE Juggernauts

In Sam We Trust: The Untold Story of Sam Walton and How Wal-Mart is Devouring America
By Bob Ortega
New York: Times Business, 1998
413 pages; $25.95

At Any Cost: Jack Welch, General Electric, and the Pursuit of Profit
Thomas O'Boyle
New York: Alfred E. Knopf, 1998
449 pages; $29.95

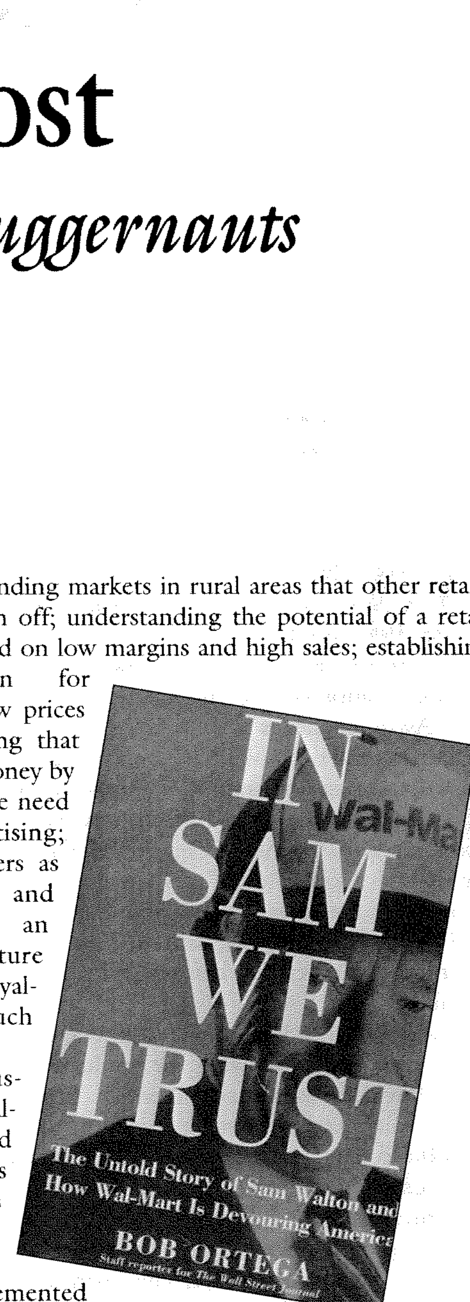
SAM WALTON was the late twentieth century's Henry Ford, argues Bob Ortega.

"Walton and Wal-Mart have transformed retailing the way Henry Ford revolutionized transportation. It's easy to forget, nowadays, that Ford invented neither the car nor the assembly line. What he did was to make them the new paradigms, to make life without cars, or industrial production without assembly lines, unthinkable."

Similarly, Sam Walton did not invent the deep discount store. But through his example and success, he did change the retailing paradigm — paving the way for Staples, Borders, Toys "R" Us and others.

Ortega's story, which tracks Sam Walton from childhood through the beginning of his business career to the pinnacle of his success of the largest retailing chain in the world, is in many ways an admiring one.

Walton was a real innovator, Ortega shows, creatively adapting to chronic undercapitalization in early years; developing new modes of efficient inventory maintenance and distribution; finding markets in rural areas that other retailers had written off; understanding the potential of a retail operation based on low margins and high sales; establishing a reputation for "everyday" low prices and fair dealing that helped save money by eviscerating the need for advertising; treating workers as "associates" and developing an employee culture of corporate loyalty; and much more.



Ortega illustrates how Walton developed these concepts and principles over a long career, and how he implemented them first in his handful of stores in Arkansas and later in his rapidly spreading national and international empire.

In Sam We Trust is a lively account that not only follows Walton's career but ventures as well into U.S. retailing history up to the present.

The broader context helps establish what Walton appropriated, how he adapted, revised or challenged prevailing retailing practices, and what he did differently to attain such

HOW MUCH IS THE MARKET WILLING TO BEAR TO LOOK AT?

unmatched financial success — how he had "focused his energies on making his business into an ever-expanding, self-perpetuating, self-correcting machine."

When he died in 1992, "he was lauded as the most influential retailer of the century, and with good reason, for nearly every great retailer of the coming years would follow his business examples."

But the Wal-Mart business model of ruthless, cut-expenses-to-the-bone efficiency has come with severe costs, Ortega shows.

He highlights the company's treatment of employees. While the conscious efforts to maintain a cheerful workplace, Sam Walton's direct connections to employees and his sincere interest in valuing and learning from their input, and stock options for employees all help or helped to boost employee morale, at bottom most Wal-Mart jobs are near-minimum wage with very little job security. The result is high turnover and widespread dissatisfaction.

Not surprisingly, poor working conditions have given rise to union organizing efforts. But Wal-Mart has mostly been successful in fending them off, partly through its corporate culture of employee involvement and especially, Ortega shows, through harassment and intimidation of union supporters.

Ortega devotes even more attention to the issue, familiar to *Multinational Monitor* readers, of Wal-Mart selling product lines — including the infamous Kathie Lee Gifford line — manufactured in Third World sweatshops, often with child labor. One of his main sources on working conditions in Guatemala was Flor de Maria Salguedo, a union organizer who helped him arrange interviews with workers making clothes for Wal-Mart as well as Kmart, Target and J.C. Penney. Salguedo's husband had been killed in a labor organizing drive. Tragically, after Ortega left Guatemala, Salguedo was kidnapped, beaten and raped. She says that one of the attackers told her, "This is what you get for messing about with the foreigners."

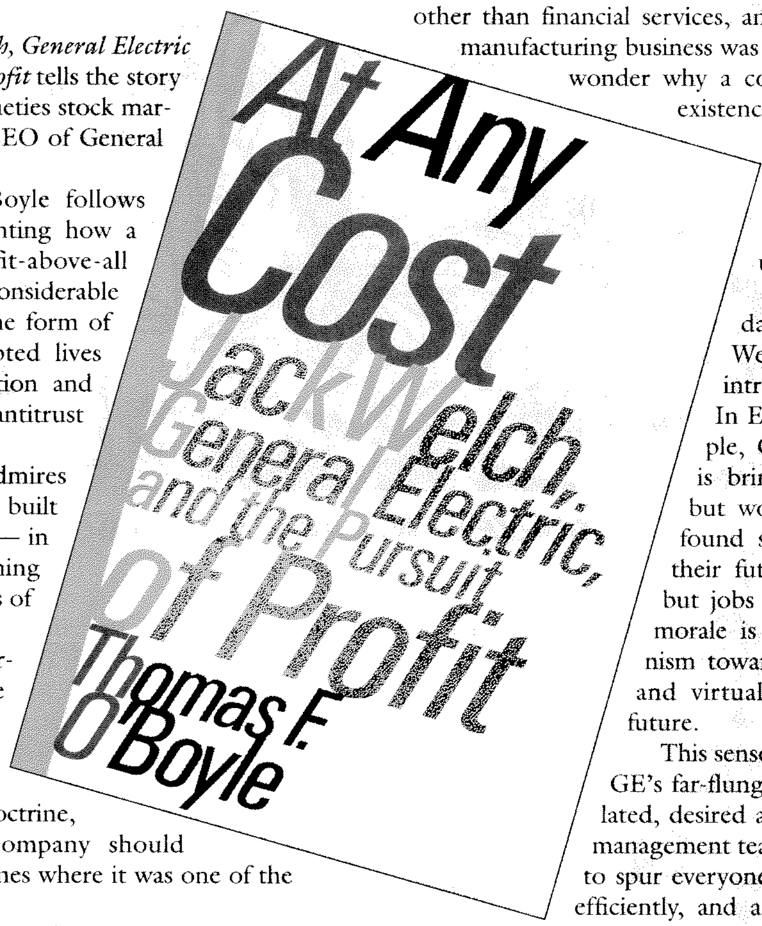
In Sam We Trust also details how Wal-Mart destroys competing small businesses and small town Main Streets, contributes to sprawl and promotes cultural homogeneity. Ortega reports on the growing movement to block Wal-Mart's expansion into new communities, a movement which has had some considerable success but is still too small to pose a serious threat to the company's continued growth and profitability.

The devastating element of Ortega's reporting is his suggestion that Wal-Mart's abuses flow quite naturally from its business strategy, and in some cases are intimately bound up with its strategy.

Walton's "relentless insistence on efficiency and cost cutting not only brought cheaper goods, but helped drive retailers to seek more and more of those good overseas," Ortega concludes.

"His success with bigger and bigger boxes spawned the category-killer chains that continue to crush smaller businesses and to ensure that every town eventually will have exactly the same selection of books, videos, records, magazines, clothing, food, toys, hardware and everything else, not only from New York to California, but from the Yukon to Tierra del Fuego. He helped created a society in which part-time and temporary jobs are the norm for ever-more workers."

At Any Cost: Jack Welch, General Electric and the Pursuit of Profit tells the story of another icon of the nineties stock market boom, Jack Welch, CEO of General Electric.



Author Thomas O'Boyle follows Bob Ortega in documenting how a take-no-prisoners, profit-above-all philosophy has taken a considerable social toll — at GE in the form of job cutbacks and disrupted lives and communities, pollution and violation of financial and antitrust laws.

But where Ortega admires Sam Walton for what he built even as he criticizes him — in large part for the same thing — O'Boyle has few words of praise for Welch.

Welch took over General Electric, one of the world's most venerable corporations, in 1981. He introduced a Number One, Number Two doctrine, which suggested the company should remain only in business lines where it was one of the top market leaders.

"Where we are not Number One or number Two," Welch said in an early speech as CEO, "we have got to ask ourselves that very tough Peter Drucker [the prominent management theorist] question: 'if you weren't already in the business, would you enter it today?' And if the answer is no, face that difficult second question: 'What are you going to do about it?'"

Welch's general answer was: "Get rid of the subsidiary." He explained the cost of alternatives in his 1981 speech: "The managements and companies in the eighties that don't do this, that hang on to the losers for whatever reason — tradition, sentiment, their own management weakness — won't be around in 1990."

Welch followed through on this early pronouncement, most notably when he jettisoned GE's consumer products line — which lay at the core of its reputation and which still produced a profit. That willingness to part with tradition, purpose and what O'Boyle views as the "soul" of the corporation has marked Welch's entire career — as has a skyrocketing in GE's stock valuation.

But there is little doubt in O'Boyle's mind that history will judge Welch harshly for his failures, while ignoring GE's stock gains as inconsequential in the big picture: "Above all, he will be held responsible for GE's multiple misadventures: transgressions in which entire businesses were destroyed and thousands of people lost their jobs."

Business historians "will wonder why GE was hailed as such as a success, when it was unable to grow anything new, other than financial services, and while growth in its core manufacturing business was at best anemic. ... They will wonder why a company that owed its very existence to technology lowered its research and development spending 19 percent, in real terms, in the 1990s even while it continued to post record profits."

For O'Boyle, the most damning condemnation of Welch is the insecurity he introduced in GE's workforce. In Erie, Pennsylvania, for example, GE Transportation Systems is bringing in record profits — but workers there express a profound sense of uncertainty about their future. Profits are going up, but jobs continue to be eliminated; morale is miserable, worker antagonism toward management is palpable and virtually everyone fears for the future.

This sense of insecurity is pervasive in GE's far-flung operations, and it is calculated, desired and fomented by the Welch management team. Uncertainty is supposed to spur everyone to work harder and more efficiently, and any potential cost saving is supposed to be reaped immediately. But uncertainty takes an enormous toll on real people's lives, O'Boyle shows — people need some security about their jobs as much as they do their physical well-being. And the continual firings and layoffs inflict incalculable damage on communities and families.

The GE/Welch way has become the U.S. corporate way — a transformation O'Boyle laments, even if his condemnations may in the process somewhat romanticize previous paternalistic eras.

"We as a society have come to believe, mistakenly, that laying off people is what progressive, forward-thinking companies do. The fact that the welfare of people is no longer a consideration in the minds of investors reflects what is perhaps the most far-reaching paradigm shift of the last decade in corporate America, and Jack Welch's actions were instrumental in leading that shift." ■