

# Is wal-mart too powerful?

[Business](#), [Company](#)



Wal-Mart has quickly become a business in which many people and groups depend, including stockholders, consumers, employees, and suppliers. The issue is whether or not Wal-Mart has created a dependency that is a crutch on society and the economy, or has Wal-Mart demonstrated a fine application of capitalistic principles in business. The issue can be explained by examining the impacts of Wal-Mart on its stakeholders.

According to Wal-Mart's Statement of Ethics, it is " committed to advancing the long-term interests of its shareholders and to protecting and improving the value of their investment by observing the highest standards of ethical and legal conduct. 4" And Wal-Mart has done just that. Over the past five years, sales and profits have continued to increase, leading to a 15. 45% jump in earnings-per-share and an 18. 36% dividend increase<sup>2</sup>. At the same time Wal-Mart is offering the consumer market drastically lower prices, which affords them more purchasing power.

When viewing the core of Wal-Mart's business, it has created this empire within the boundaries of the law. Rights Theory As a law-abiding corporation, Wal-Mart has the right to operate freely within this country. There are no laws forbidding them from selling products at lower prices than their competitors, and as long as the employees are paid at least the government mandated minimum wage, Wal-Mart can continue to optimize stock growth and value. That doesn't mean that this corporate giant has not infringed upon the rights of others.

As part of their cost efficient strategies, Wal-Mart has continued to pay their employees lower wages than the competitors. When the competitors can no

longer afford to stay in business next door to " everyday low prices" employees are forced to work at Wal-Mart for a much lower wage. By Wal-Mart shutting down many local businesses, employees have lost their freedom to choose their employment. They have also lost their right to equal employment since they will never be paid a comparable wage to what they were receiving from the departed competitor. Suppliers' rights are also being compromised by " everyday low prices.

" Now that Wal-Mart controls the majority of consumer product market share, it can dictate to the suppliers how they should design products and at what cost. This sacrifices quality, brand image, and product integrity, for low price. If suppliers don't follow Wal-Mart's demands, Wal-Mart will shift to cheaper products from overseas and domestic suppliers could lose sales. Justice Since Wal-Mart has not discovered a balance between satisfying shareholders and customers and giving employees higher pay, many of the employees are finding justice through the courts.

Lawsuits are pending against Wal-Mart for genderdiscrimination, overtime without pay, and disability discrimination. Many of these courts are ruling in favor of the employees, forcing Wal-Mart to recognize that it has caused harm to individuals and that it owes retribution to these employees. For example, Wal-Mart settled 13 disability lawsuits in 2001 for a total of \$6. 8 million<sup>5</sup>. Compensatory justice can be reached by Wal-Mart if they researched the impact of wage increases at different increments on the stakeholders, and found a middle point between wage issues and profit margin.

Utilitarian The dilemma for Wal-Mart is whether they are being equitable to a majority. If Wal-Mart raises wages for its 1.5 million employees, it may drive prices up and in turn decrease the stock price. Hundreds of millions of shoppers would have to shop "around" for the best price in town, shareholders would lose trust in the security of their investments, and Wal-Mart might find itself in a downturn where lay-offs would be necessary.

However, a slump for Wal-Mart would put control back in the hands of suppliers and create equity amongst competitors. On the other hand, a wage increase may benefit Wal-Mart by putting the money into the pockets of 1.4 million people who will turn around and be able to spend more on products in their stores. This would give a benefit to the employees, while maintaining the status of consumers and shareholders. Social Contract Wal-Mart has a responsibility to view their overall impact on society.

So far Wal-Mart has upheld customer and shareholder expectations, but they have failed to look beyond that point. From a group perspective using the stakeholder chart above, the overall impact of Wal-Mart has a negative effect on society. Wal-Mart currently faces many hardships in the form of lawsuits, opposition and injunctions to prevent new construction, and bad publicity. Adopting new strategies that provide a more equitable distribution of profits and wealth between all stakeholders could eliminate these hardships.

1 [http://news.yahoo.com/news?tmpl=story&u=/afp/20040712/bs\\_afp/us\\_companies\\_fortune\\_040712171227](http://news.yahoo.com/news?tmpl=story&u=/afp/20040712/bs_afp/us_companies_fortune_040712171227)

2 [http://yahoo.investor.reuters.com/MG.aspx?](http://yahoo.investor.reuters.com/MG.aspx?target=/stocks/financialinfo/growth/rate&ticker=WMT)

[target=/stocks/financialinfo/growth/rate&ticker= WMT](http://yahoo.investor.reuters.com/MG.aspx?target=/stocks/financialinfo/growth/rate&ticker=WMT)

3 BW Online. " Is Wal-Mart Too Powerful?" October 6, 2003.

4 [http://media.corporate-ir.](http://media.corporate-ir.net/media_files/IROL/11/112761/corpgov/ethics1.pdf)

[net/media\\_files/IROL/11/112761/corpgov/ethics1. pdf](http://media.corporate-ir.net/media_files/IROL/11/112761/corpgov/ethics1.pdf)

5 [http://zmag.org/content/showarticle.cfm? SectionID= 47&ItemID= 4987](http://zmag.org/content/showarticle.cfm?SectionID=47&ItemID=4987)