

# Wal-mart and corporate social responsibility essay sample

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



## Abstract

Instead of simply outlining and summarizing the corporate social responsibility initiatives and programs of the company, the paper attempts to describe how Wal-Mart comprehensively approach CSR in the most ideal manner. Considering its unique position of being the world's biggest retailer and employer, the paper argues that social responsibility is inherently imbedded in its corporate being. The company also prudently incorporated CSR in its core values that served as its business model. Maintaining its commitment to lower prices, the company takes a leadership role in promoting CSR in managing suppliers thereby extending social responsibility beyond self regulation but as a regulator itself. Finally, Wal-Mart proactively engages in corporate social responsibility through its generous contributions that made its CSR efforts more tangible to public perception which earned the organization the reputation of being the most socially responsible corporation.

## Introduction

Corporate social responsibility is the lifelong commitment by corporate business to perform ethically and play a role in economic development at the same time the improving the quality of life of its stakeholders i. e. employees and their families, its patrons and general community thereby creating a responsive and meaningful relationship between the corporation and the society it serves. (Watts and Holme, 1999) Practices for corporate social responsibility are conducted within an ethical, legal and public framework set by society. While corporate responsibility is often integrated in the overall

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strategic objective of the company, it should nevertheless be undertaken unconditionally and be authentically manifested in its day to day operations.

### Literature Review

In as much as corporate social responsibility comes in different terms such as Corporate Citizenship, Global Citizenship and Corporate Accountability, among others, it is also applied in different categories. (The Economist Intelligence Unit, 2005) It can be involve in education and research, being the forefront key to progress. It can also pertain to activism as a means of attaining meaningful political and social change. Health and wellness also is directly attributed to social responsibility because it literally ascribes to quality of life which incidentally also includes the promotion of cleanliness and human rights.

Among other components of corporate social responsibility which have broad spectrums are Philanthropic Contributions and Sustainable Development. The former encompasses the programs and activities carried out by the corporation designed for the benefit of the greater common good. Thus, this includes donations for scholarships and educational programs, calamity programs, and community development, among others. The latter on the other hand refers to activities necessary for attaining sustainable development such as environmental protection, green building and promotion of natural and organic products, social responsible investing and use of renewable or alternative sources of energy, among others

The practice of CSR has received much criticism. Critics deemed CSR as a deviation from the primary economic role of businesses, which is to profit. Others believed that it is a means of covering up the abuses, inequalities and the misdemeanors of corporations. Still other believed that it is a preemptive mechanism to limit the role of governments in intervening with the affairs or regulating powerful multinational corporations. (May et al, 2007) However CSR is deemed, the demand for business ethics and CSR for that matter is no more pressing in today's world considering the pending threat of global warming, environmental degradation and climate change, among others that calls for sustainable development. Thus, taking responsibility towards ones actions is a matter of necessity for the continued survival and existence of all concerned. Many companies today consider CSR as a consideration in decision-making. Moreover, most of the biggest companies also produce some sort of social report or audit that provides an account of their environmental, social or sustainability efforts.

The potential business benefits of CSR differ in different from company to company depending on the strategies that they employ. While in its simplest sense, CSR is manifested in the altruistic efforts and volunteering of companies, it can also be based on its corporate strategy towards manpower resource, business development model and public relations. This paper discusses the corporate social responsibility of Wal-Mart in a framework which shows how the company has comprehensively handle CSR and successfully integrated this different approaches to the subject.

The Inherent Social Responsibility of Wal-Mart

Employees (Associates).

As the world's largest retailer, the largest employer, second-largest corporation in the US, and being at the top 100 largest economic entities in the world, the social responsibility of Wal-Mart cannot be overlooked. As a huge company that requires numerous personnel, it provides employment to thousand of US citizens and more in other countries for its overseas operations. There are over 7, 800 Wal-Mart stores around the world that employs over 2 million employees. Thus, Wal-Mart is directly responsible for providing the " food on the table" for the many lives of these employees and more including their families. Employment alone reflects the corporate responsibility of the company with its adoption an employment policy of no discrimination. Wal-Mart has become the largest employer of minorities, teenagers, and senior citizens in the world. Because of this, it greatly partakes in a major socio political responsibility of maintaining productivity of the citizens. Because of the cultural diversity of its workers around the world, the company established a Global Ethics Office to promote ownership of Wal-Mart's ethical culture to all stakeholders for its continued expansion and globalization that constantly absorb or assimilate new cultures. This step is important for the company to maintain the organization's ethical work culture on which rests the depth of its quality service. (Wheelen, and Hunger, 2006)

Aside from being the bread and butter for millions of people and their families, Wal-Mart directly partakes in promoting the health and wellbeing of its constituents in the provision of health insurance to its employees. Wal-

Mart thus, plays as a critical role in solving one of the pressing social challenges the whole world faces, healthcare, which is plagued mainly by its perpetually rising costs and long term sustainability. Aside from the standard medical coverage allotted to its employees, the company takes a preventive approach in healthcare. Aside from the medical plans that the company subsidizes, it also adopts innovative ways to promote healthy habits and lifestyles of its employees. For instance, it gives discounts on fresh fruits and vegetable products. Other healthcare programs afforded to employees and the general community includes free health check ups i. e. cholesterol, heart, blood pressure and sugar monitoring, hearing and vision tests and discounts on health and well being facilities i. e. hearing aids, eye glasses and exercise equipment.

In line with its proactive approach to health care, Wal-Mart launched the “ Personal Sustainability Project” (PSP) voluntary project initiated by the employees in 2006. The program aims in assisting employees to incorporate sustainability into their individual and personal lives by making developing habits. The PSP project also pertains to the direct wellbeing of the employees in terms of the promotion of exercise through sports programs, proper dieting and even the quitting of vices like smoking. The PSP moreover give employees the opportunity to actively participate in the company’s social responsibility programs particularly aligned towards the environmental protection and conservation. This involves the active campaign and implementation of recycling, reusing and restoration of materials in their own homes or through sponsored activities. In which case,

the personal sustainability project has resulted to the establishment of store for recycling old tires and a community initiative to clean up a wild life.

Other benefits that the company implements to enhance its commitment to employee welfare includes the 401(k) plan that functions as a pension for employees, profit sharing plan in which employees are given a certain percentage of their wage depending on the profitability of the company and the stock purchase plan, in which employees are afforded a chance to become part owners of the company.

### Consumers

Wal-Mart caters an estimated 20% of the retail grocery and consumables thus, the company is directly accountable for the promotion of eco-friendly products. This is primarily implemented by its strict adherence of regulatory policies in its products by respective agencies. For instance, its seafood retail products are certified by the Marine Stewardships Council, its electronics products are made ROHS-compliant while the recycling of electronics waste are conducted through 40 recycling events. It recently banned or minimized the selling of products with chemicals that are considered risky such as Propoxur and Permethrin. In terms of textiles, it encourages clothing that utilize organic cotton. It limits its wood products within the parameters set by Forest Stewardship Council for sustainable wood harvests. In response to the health care crisis, it promoted the use of generic prescription drugs and established in-store health clinics. Finally, the

company also opened its doors to the retailing of organic food products.

(Wal-Mart Watch, 2008)

## Corporate Social Responsibility Integrated in Wal-Mart Business model

### Core principles

Corporate social responsibility is incorporated in the basic philosophy on which Wal-Mart is founded. As its founder, Sam Walton briefly stated, "If we work together, we'll lower the cost of living for everyone...we'll give the world an opportunity to see what it's like to save and have a better life."

This reflected the core principles on which Wal-Mart was established as stated in the company website motto "Save Money Live Better", highlighting the company's commitment of making all consumer products that makes our lives more convenient and better, accessible and affordable to all people. To achieve this mission, "Quality goods at low price" is the basic business model it uses. Thus, "Low Prices" is Wal-Mart's principal selling point. It caters to price-sensitive consumers e. g. price sensitive affluent, brand aspirational and value-price shoppers or the lower class of consumers.

The core value of Wal-Mart is "respect". The respect for the customer, associates (employees), and suppliers is its core value for building relationships. The virtue of respect means taking into consideration the well being and interest of others. This entails listening and understanding other's view point and circumstances, keeping an open mind, communicating and collaborating with others who have a stake on the actions, operations and



objectives of the organization. Thus, respect is central in driving an individual or an organization to commit to its social responsibility.

The core value of respect is reflected and operated in three basic beliefs and values of Wal-Mart to wit: respect for the individual, service to our customers; and striving for excellence, which constitutes its organizational culture.

Respect for the individual is embodied on its policy of no discrimination. The company recognizes the existence of conventional differences of people in terms of ethnicity, culture, beliefs and practices but capitalizes on the need for unity in accomplishing its tasks. It focuses on the natural and categorical values that people share collectively as humans as foremost binding force and the shared goals that it established that are far more important than these differences.

Respect to customers translates to the organization's commitment to serve its customers. It recognizes that customers are the principal reason why the company exists. Under this basic premise, the company maintains its dedication to service beyond the expectations of the customers.

Finally, the respect for suppliers is contained in its striving for excellence. The strive for excellence involves suppliers because as a retail company, majority the of products that the company sells are supplied or outsourced. Approximately 90% of everything it sells is provided by suppliers. The company thus recognizes that it can only be as good as its supplier base. The need for an incessant pursuit for quality improvement therefore entails

the need to manage supplier relationships by establishing long-term strategic alliance between Wal-Mart and its key suppliers. This will help diminish costs and generally improve company operations. The general criterion for the selection of partners include its complementary or parallel philosophical vision with Wal-Mart, organizational commitment to customer service, capacity to supply, availability of skills, and financial resources among others. The company thus aggressively pursues in establishing a more responsible global supply chain.

### Ethical Sourcing

Because the company heavily relies on its suppliers for the products it sells, Wal-Mart faces the challenge of extending its corporate responsibility through out its supply chain. As the major outlet for manufactured products, it takes a leadership role influencing the social responsibility among its suppliers in terms of product safety for the wellbeing of the customers and the manufacture of the same in an environmentally and socially responsible way. The goal of ethical sourcing is sustainable purchasing which is the selection and acquirement of products and services that create positive social and environmental outcomes. Hence, more than just the price, quality, functionality factors in traditional purchasing standards, the objective takes into account the environment, social and ethical aspects in the manufacture of products that comprises a supplier's particular sustainability performance.

In the performance of this objective, the Wal-Mart established an ethical standard team that monitors the factories, conduct educational programs

and coordinates with other agencies for the compliance of these factories to local and national compliance standards and laws. Wal-Mart regularly conducts an audit of the factories of such suppliers which serves as one of its standard criteria for continuing their supplier relationship. Formerly known as the ' Factory Certification', the Ethical Standards program was established that sets the criteria for the evaluation of suppliers. Among the foremost criterion used in the audit is the environmental standards which include waste disposal and management, air pollution emissions, and the use of banned chemical substances. With the growing diversity of the workplace through off shoring and outsourcing afforded by globalization, a criterion for health and safety, collective bargaining, institution of local language help lines and rights for foreign workers (compliance with migration laws) was added in 2005. Moreover, the company also intensified its audit campaign by conducting unannounced audits (Wal-Mart Stores, 2006)

### Proactive Corporate Social Responsibility Efforts of Wal-Mart

#### CSR in Action

By focusing its efforts in making their products affordable especially designed for price sensitive, brand aspirational and value-price shoppers or the lower class of consumers, the company has immediately partook of social responsibility because low price is component of social responsibility. However, still many people criticize the company for exploitative work policies and the displacement of the small businesses that were in the communities in which it operates. Its lower price scheme is often criticized

as predatory pricing, which is anti competitive that kills smaller retailers in the neighborhood. Finally, while Wal-Mart pursues anti discriminatory policy of hiring, it has been criticized and sued for its policy against labor unions. (Brunn, 2006). Incidentally, the company launched a “ Candidate Wal-Mart” campaign in which a smiley in suit ala politician is used as its visual image that proclaims the new programs of the company that reflects the company’s commitment to employee welfare and development. (Horowitz et al, 2007).

The PR campaign was a blooper and a failure because the people perceived that it was insincere. Perhaps using a politician to declare its promises is apparently not the most trustworthy person that is appealing to the people. Nevertheless, the campaign announced the company programs that reflected its genuine commitment to social responsibility. It announced its higher pay start up levels to counteract criticisms against low pay salary; it declared newly enhanced healthcare benefits for its employees to neutralize employee complaints against inadequate health insurance; it broached the establishment of new store branches in browbeaten communities; it publicized its low prices organic foods to show its commitment to healthy living as well as support to environmental conservations and sustainable economic development; and it pronounced its high discount rate for its generic prescription medicines. The campaign was a failure but its statements are authentically implemented.

Hence despite the criticisms and failure of the campaign, Wal-Mart tops all other companies when consumers were asked to name which US company is

most socially responsible. In a survey report of 30, 000 consumers around the world about their perceptions of social responsibility on 2006, 28% of consumers selected Wal-Mart Stores as the most responsible company followed by McDonald's and Microsoft. (Woolsey, 2006)

That Wal-Mart is the most socially responsible company in the survey was substantiated by its actions. In 2008, Wal-Mart was declared as the no. 1 most generous company overall. (Kirdahy, 2008) It donated a total amount of \$301 million in 2007, which included cash donations from its foundation but excludes in kind donations i. e. free product and service offerings, which can further shoot up the amount of its donations. Beneficiaries of Wal-Mart's goodwill reflect the diversity and extensiveness of its social responsibility programs which include the Children's Miracle Network, Wildlife Foundation and American Red Cross, American Council on Education, Boys and Girls Club of America, Jobs for the Future, The United States Conference of Mayors, YouthBuild USA and Special Olympics World Game, among others

#### Wal-Mart Foundation

The Wal-Mart Foundation is the company's arm in channeling its active social responsibility efforts through financial contributions, in-kind donations and volunteerism under the banner of " Creating opportunities so people can live better". It conducts its programs in the national, state and community level. As such, it extends its help and assistance not merely to its customers and associates but to the general populace. Aside from the initiatives of its mother company, the Foundation provide support initiatives following focus

areas: education, workforce Development / Economic Opportunity, environmental sustainability and health and wellness

Education is at the forefront of its support initiatives in the belief that education endows people especially the poor with the opportunities that would ultimately lead to a better life. Among its education grants include a multi million grant to the Institute for Higher Education Policy to support minority students pursue their college degrees (i. e. Hispanic Scholarship Fund) and other scholarship grants in specified educational institutions (e. g. Meharry Medical College). Educational support is also granted to military veterans who would like to earn a degree.

One of the most conspicuous charity works of the foundation much like other foundations is through disaster relief operations, during which victimized people are most vulnerable to the most basic needs. Among other major disasters the best the US, Wal-Mart actively took part in the Southern California Wildfire Relief operations in 2007 as well as the Hurricane Katrina relief and rehabilitation operations that devastated many people's lives. The foundation also partakes in the continuing campaign against hunger in partnership with " Feeding America", the country's biggest hunger-relief charity and commitment to the " Red Kettle Campaign of the Salvation Army Red Kettle that already runs over 20 years. However, the largest program where the Foundation funds goes is its " giving programs" that feature direct and matching grants to communities, smaller foundations and non government organizations with specific causes.

Integrating its efforts to achieve workforce development, economic opportunity, environmental sustainability, the foundation recently donated almost 6 million dollars to the U. S. Conference of Mayors and Veterans Green Jobs to support the creation of green jobs in the U. S. (Webwire, 2009)

### Experiments and Operations

Aside the charity works conducted by the Wal-Mart Foundation, its mother company per se is actively engaged in the promotion of corporate responsibility in the area of environment. Aside from the retail of sustainable products, Wal-Mart advances its campaign for the environment through renewable energy and zero waste management initiatives. The company experiments in adopting energy efficient technologies in its building design, facilities and services. For instance, the two newly opened stores Texas and Colo utilize solar and wind power for its electricity, bio-fuel and radiant heat technology for its heating needs. Technology such as light emitting diodes (LEDs) for signage and refrigeration are experimentally being used also to further boost the company's efforts to reduce its dependence on non-renewable energy.

In terms of waste management on the other hand, the major goal of the company is to eliminate the garbage dumps situated in most of its stores and in landfills in general. The company employs the " sandwich baling" process in which loose plastic materials and product wastes i. e. plastic bottles, tin and aluminum cans, papers are compressed and bundled then sent to certified recycling processors. (Wal-Mart Watch, 2008).

## Conclusion

Corporate responsibility is a broad and difficult issue for companies. For one, it involves costs whose benefits are difficult to measure quantitatively. A common approach to CSR focuses on the internal improvements which directly benefits the direct stakeholders of the company such as employees. For bigger companies, its charitable activities channeled through a foundation are a common instrument to undertake corporate social responsibility. Wal-Mart approaches CSR in a more comprehensive manner. Being the world's largest retailer, it is inevitable for people to have high expectations of Wal-Mart.

Following this unique circumstance, social responsibility is an inherent component of the company. The company also approached CSR in the most ideal manner by integrating it into its core values that served as the pillars for the corporation's foundation and business model. Thus, it ultimately aimed to attain corporate responsibility as part of its norm. In doing so, the company also acts as a leader in promoting CSR especially in its managing its supplier relations. This is core aspect of the company's CSR initiatives considering that most of its products are outsourced. Finally, the company also proactively engages in corporate social responsibility through the Wal-Mart Foundation and experimental operations. This grand initiative did not only bridge the idea of CSR into action but it also earned the company the repute of being the most charitable and most socially responsible corporation.



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