WALMART IN CHINA

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CONTENTS

ABBREVIATIONS

ACFTU	All-Chinese Federation of Trade Unions
ADGM	assistant deputy general manager
AFL-CIO	American Federation of Labor and Congress of Industrial Organizations
ANROAV	Asia Network for the Rights of Occupational Accident Victims
CBA	community benefits agreement
CEO	chief executive officer
CSM	customer service manager
CSR	corporate social responsibility
ES	Employee Standards program
ILGWU	International Ladies' Garment Workers Union
MNC	multinational corporation
NBC	National Broadcasting Corporation
NGO	nongovernmental organization
NMWF	Nien Made Windows Fashions Company Limited
OEM	original equipment manufacturer
P&G	Procter & Gamble
POS	point of sale
PREL	Pacific Resources Export Limited
RFID	radio frequency identification
RHW	regular hourly wage
SACOM	Students and Scholars against Corporate Misbehaviour
SEIU	Service Employees International Union
UFCW	United Food and Commercial Workers Union
UPS	universal product code
WTO	World Trade Organization

WALMART IN CHINA

INTRODUCTION

When the World's Largest Company Encounters the World's Biggest Country

Anita Chan

Many books have been published about Walmart, not least because it is the biggest corporation in the world.[1] Walmart's colossal size enables it to affect the agenda of world production and trade. Walmart's market impact within America is reflected in a catchy book title, *The United States of Wal-Mart*.[2] Though such books tend to touch on Walmart's reach beyond the United States, and in at least one case even contains a chapter on Walmart's reach in China,[3] there has not yet been a book devoted to Walmart's significant presence in China. China today is the source of the great majority of the merchandise Walmart sells. China has also emerged as one of Walmart's largest and fastest growing retail markets, with close to two hundred giant Walmart stores spread across China's provinces.

What happens when the world's largest corporation encounters the world's biggest country? There are two areas of special interest—the impact of the Walmart supply chain, including the impact on the Chinese workers who manufacture Walmart products; and separately, Walmart's retail business and its brand of management practices when imported across cultures into the Walmart supercenters inside China. In both respects, has Walmart succeeded in a Walmartization of China?

Walmartization

The impact of Walmart on retail business in the United States and beyond has been so enormous in the past few decades that a new expression, "Walmartization," has entered the English lexicon. Anything can be "Walmartized": from "wal-martization of the U.S. economy," "wal-martization of organics," "wal-martization of education," "wal-martization of health," to "wal-martization of embyros," and the list goes on.[4] Originally, "Walmartization" was a pejorative phrase used to describe the economic impact of large outer-suburb shopping outlets and big box stores on small commercial districts and locally owned businesses.[5] Economies of scale allowed Walmart to buy cheap and sell cheap so that it could honor its "everyday low price" promise to consumers. Any similar kind of big-eats-small phenomenon of mass marketing earned that pejorative label of Walmartization.

A second pejorative meaning of the term has been from the perspective of labor—the charge that Walmart undercut local stores' wages and provided little or no benefits such as health insurance, coupled to a well-organized antiunionization policy that has been so successful that in a period of several decades, not one out of the more than four thousand Walmart stores in the United States has been obliged to recognize a union presence. Of course, Walmart is not the only company that is antiunion. But Walmart has set the standard for other retailers and industrialists. For this, Walmart has gained the wrath of the American trade union movement.[6] As described by two academic labor sociologists, "Wal-Mart represents an employment and industrial relations model far removed from the Fordist consensus of the postwar period (in which General Motors set the standards: relatively stable employment, secure benefits, and rising wages in exchange for productivity increases and protracted periods of labor peace)."[7]

The term *Walmartization* has been used in a third sense: that Walmart's great size and bargaining power as a purchaser has changed the manufacturing system from being producer-driven to retailer-driven. It has been argued that producers today have had to bow to a retailer with a dominant market share in order to acquire sufficient orders to sustain production. When manufacturers could not meet Walmart's low-price demands, Walmart looked abroad for cheap production sites—in particular, in China.

Which brings us to our initial questions: As China became the most sought after manufacturing region, and as Walmart started sourcing a very high percentage of its products there, has this in any way Walmartized China? Have Walmart's pricing strategies put pressures on Chinese suppliers and in turn adversely affected Chinese workers' work conditions or wages? Have Walmart's employment policies at its Chinese stores positively or adversely affected the retail workers' circumstances? Has Walmart succeeded in keeping Chinese unions at arm's length?

The chapter authors are all well qualified to write on these and other related issues. The great majority are experienced academic researchers on industrial and commercial practices. Most have previously engaged in research inside China, and all but one of the contributors are fluent in Chinese. Several of us initially came together because of our shared research interests and decided to concentrate on the different aspects of Walmart's operations in China because of its scale and its importance to the new shape of global manufacturing and retailing. When funding became available, we were able to begin field research and contacted others who had been conducting research on Walmart to join in a cooperative international effort.[8] The contributors to this book are spread around the world, with six located in the United States, four in Australia, two in Hong Kong, and one in China.

There has been a lot of interest within China about Walmart's large presence there, with numerous Chinese press reports this past decade about Chinese-based production of Walmart merchandise and Walmart's rapid entry into the Chinese retail market.[9] As a result, part way through our research and writing, we held a conference at Beijing University in July 2007,[10] so that we could share our initial findings with specialists from within China and obtain their feedback. Some sixty Chinese academics and trade-union staff members participated in the conference, and it became obvious that their belief in the importance of conducting research on Walmart's massive operations in China was as great as our own.

Walmartizing the Global Production Chain in China

Nelson Lichtenstein's chapter provides a background on Walmart's origins in the rural heartland of Arkansas and its growth in past decades, its domestic sourcing policy, its innovative corporate policy of low prices, its unique corporate culture, and its strategies to beat out major competitors. Lichtenstein also discusses how, when domestic sources could no longer meet Walmart's low-price policy, Walmart turned principally to sourcing overseas, mainly from Asia.

Walmart was not the only multinational of the developed North to turn to sourcing heavily from the developing world. Back in the 1970s this relocation of the world's manufacturing site of intensive labor production to Asia had nurtured the growth of the Four Little Dragons (South Korea, Taiwan, Hong Kong, and Singapore). When China began to open up to foreign investment in the early 1980s, offering vast stretches of greenfield sites and an abundance of labor far cheaper than the Dragons, another wave of regional manufacturing relocation was set in motion. Brand-name companies like Nike at that time encouraged and helped its main Taiwanese manufacturing partners to move their factories to China. So massive was this relocation of Asian supplier companies that the majority of the so-called Chinese manufacturing suppliers today are actually Four Little Dragon companies that have set up assembly plants in China. In the past decade, local Chinese capital also has increasingly been drawn into the supply chain.

Walmart reportedly sources some 70 percent of its merchandise from China. So rapid and massive was this shift to goods manufactured in China that by the middle of the first decade of this century Walmart alone imported more from China than many nations did. It became China's sixth largest export market—just behind Germany—in 2004, buying some $18 billion worth of goods.[11] When the two giants Walmart and China established a stable symbiotic relationship at the turn of the millennium, and as Walmartization of the supply chain took root on Chinese soil, Walmart's competitors had to use the same sourcing techniques to survive.

Once sourcing from China became a bandwagon, Walmart contributed, as observed in chapter 2 by Xue Hong, in driving down the wages in supplier factories. While brand-name companies like Nike have their reputations to protect against high-end consumers' concerns that their purchases might be made by exploited labor, a retailer like Walmart does not build its reputation around a brand-name product that needs protection. Selling relatively low-end merchandise, with an ability to place massive orders, it largely strives to use this advantage to source more cheaply than its competitors. Xue Hong's chapter describes in detail how Walmart places orders and squeezes suppliers in China, who face pressures to go along. In the process, migrant workers in the supplier factories bear the brunt of the pressure to cut costs. Each tier of suppliers in the supply chain places price pressures on its own suppliers and subcontracting manufacturers, and Xue Hong shows that the greater the number of tiers and the longer the production chain, the lower the wages in the bottom rung of this pecking order of companies.

The chapter by Yu Xiaomin and Pun Ngai, which focuses on two toy factories as case studies, observes how Walmart took over from Toys "R" Us as the world's biggest toy retailer. They provide details on how this happened, how Walmart exercises its sourcing practices and low wage policy, and how workers at the two factories were pressed to work very long hours for low wages.

As China gradually became the world's manufacturing workshop, the wages in China's export sector competitively affected wages and labor standards throughout the Global South.[12] As multinationals increased their sourcing from factories located in the poor nations of the South, an antisweatshop movement consisting of American university students, trade unions, NGOs (nongovernmental organizations), and church groups emerged seeking to halt the downward drive of wages and work conditions. Both Xue Hong's and Pun and Yu's chapters discuss how the antisweatshop movement instigated the global proliferation of corporate codes of conduct. Eager to join the club, Walmart drew up its own corporate code of ethical standards and hired monitors to audit suppliers' factories in China. Both chapters demonstrate the difficulties Walmart faced in implementing this and the ineffectiveness of the monitoring exercise.[13] The irony is Pun and Yu's discovery that at the two Walmart supplier factories they studied, the factory that experienced repeated monitoring nonetheless continued to impose worse conditions on its workers than the one that was not monitored.

In the past two decades a large number of reports from academics and labor NGOs have documented poor work conditions and low pay among China's export-industry workers who make products for multinationals like Walmart, but the data have been anecdotal. Anita Chan and Kaxton Siu's chapter goes beyond this narrative level by conducting a statistical survey of workers from nine Walmart supplier factories (four garment and five toy factories). In analyzing wages and work hours, they show that the piece rates used in the garment industry result not only in a lower hourly wage rate than the time rates used in the toy industry but also that the more hours garment workers work each month, the lower their hourly wage. Analyzing workers' attitudinal responses, they compute what they call workers' "tolerance level" for exhaustion when subjected to excessive overtime. They argue that today's global production chain produces a "sweating" condition that is a throwback to the days of the industrial revolution of the eighteenth and nineteenth centuries in the West.

The several book chapters on Walmart's supply chain and its suppliers in China warrant Pun and Yu using the expression "Walmartization." The technique of squeezing suppliers has been popularized in the corporate world, though no other corporation can do it on the same scale as Walmart. The new elaborate logistics technology first used by Walmart is fast becoming standard practice. The factories studied in these three chapters all have multiple buyers, since the supplier companies try to ensure they do not become totally dependent on Walmart. But the workers in these factories toil today under the same conditions and wages regardless of whether the products they make are destined for Walmart or for other buyers.

There is a perpetual search for localities that can offer lower production costs. Thus the symbiotic relationship between Walmart and China is changeable. In 2007, for instance, the world's largest manufacturer of socks, Langsha, refused to take Walmart orders because it claimed the price offered by Walmart was too low for the Chinese company to make any profit. Chinese labor costs were rising, and Walmart began looking more intensively for procurements elsewhere. Walmart was also mindful of protectionist pressures within America against China. That same year, Lee Scott, Walmart's CEO, observed that even if Walmart reduced sourcing from China, labor-intensive jobs would never return to the United States: "Even with the economic nationalism that's emerging today, the anti-China kind of thing, much of the product, if it moves out of China because of tariffs, is going to move to Indonesia, or Vietnam or Cambodia."[14] If another regional labor-intensive manufacturing relocation was needed, this would only mean another wave of Walmartization in another part of the world.

For the time being the situation is still relatively stable and most of Walmart's merchandise continues to flow from Chinese-based factories, but Walmart is also hedging its bets by diversifying. In 2010 Walmart announced that it had decided to source garments from Bangladesh in a big way. Knitwear and woven garment exports make up 75 percent of this poor country's exports, and 30 percent of Bangladesh's garment exports to the United States already went to Walmart. In February 2010 the Bangladesh Garment Manufacturers and Exporters Association revealed after a visit by Walmart International's CEO that Walmart plans to double its purchases to $2 billion a year and would source 20 percent of its garments from Bangladesh. At a meeting in Dhaka with the association, the CEO strongly urged that a comprehensive garment industrial zone be established.[15] Notably, such zones are exempted from Bangladesh's national labor laws and trade unions are prohibited.[16] In China, Walmart does not take the initiative to reshape the landscape in the same way as in Bangladesh. Walmart adjusts its protocol in accordance with the strength of the state it deals with.

Walmartizing Walmart Stores in China

As the middle-class in urban China began expanding rapidly Walmart moved into the People's Republic beginning in the late 1990s to capture a share of their spending, and by 2010 it had close to 200 giant stores across China. Unlike in the United States, where Walmart is a low-end retailer, Walmart in

China largely serves the rising middle-class. Some of the stores in China feature large parking lots to accommodate the new auto-owning urbanites.

Walmart cannot Walmartize its China-based Taiwanese, Korean, and Hong Kong-owned manufacturing suppliers by injecting into them the Walmart corporate culture and management methods. But Walmart can do so at its stores in China, where Walmart has direct management control over employees. In the first of the four chapters on Walmart's retail operations, David Davies analyzes the Walmart corporate culture in one of the Walmart stores. A second chapter, by Davies and Taylor Seeman, tells the story of a Walmart store general manager, Edward. The third chapter contains diary entries of a low-level supervisor named Li Shan. The fourth discusses the working conditions of a cashier at a Walmart store. Together their stories provide a glimpse into the world of Walmart retail employees at different levels. A question is: What occurred to Walmart management culture when it was transferred to China? How does it differ from the corporate culture back in America, and how do different levels of Chinese employees adapt to, reject, or live with this culture? Has Walmartization succeeded in inculcating some fifty thousand Chinese store employees into embracing the company culture that Nelson Lichtenstein discusses in chapter 1? These chapters show that the answer is not black and white.

To begin with, what are the essential elements of Walmart's corporate culture that was created by Sam Walton in the early days of Walmart? As Lichtenstein describes it, Walmart culture bears the hallmark of the rural American Bible Belt of the 1950s and preaches the virtues of frugality, self-cultivation, obedience, and diligence. Walmart's corporate culture was also characterized by a personality cult exalting Sam Walton, bombarding employees with slogans and teachings of the great leader, extolling workplace paternalism, didacticism, communitarianism, and collectivism. By happenstance, as David Davies points out, these share much in common with Maoist and Confucian teachings. The culture and institutional methods of implementation are not that alien to the Chinese populace.

There is also a hierarchic dimension in these three case studies of employees: the higher the rank, the easier it is for the employee to accept the Walmart culture, in part because it is his/her role to impart this culture to the charges. Davies has coined the term *corporate cadres,* "because management is held to standards and expectations that discipline their behavior even as they must rely upon it to discipline others as they manage day-to-day work at stores." Li Shan, a lower-level supervisor, never believed in the Walmart culture to the same extent as the store manager Edward. It was not his job to preach that culture, being on the receiving end. He was keen to learn the success of business management techniques from the world's biggest corporation, but to him the culture was an instrumental vehicle, a management tool.

Lihua, Eileen Otis's research assistant, became a participant observer at a Walmart store by working there as a cashier. Her research role required her to be "objective," to observe the culture from the outside. But in her description of the induction of the other new lower-level employees by the store's management, the Walmart culture did not seem to have been inculcated in the new recruits either. This could be seen in the extremely high turnover rate of ordinary workers. Out of thirty new recruits, after two months only three remained. The efforts to instill a corporate culture of loyalty, to raise morale, and to dangle carrots did not compensate for the high intensity of the work (especially for cashiers), a "techno-despotic" labor regime (a term coined by Otis), low pay, pressure to work harder and faster, and surveillance by supervisors and customers. In a manual job where a daily concern to eke out a living takes precedence, the Walmart culture leaves little impact. In all of these case studies of employees, the Walmart cheer that Walton invented after being inspired by what he saw in Korea did not seem effective. It was at best a ritual that employees had to go through under the watchful eyes of supervisors.

Edward was surprised to learn when he went for training in Bentonville, Arkansas, that many aspects of the Walmart corporate culture in the United States did not survive Sam Walton. Today in the back rooms of American Walmart stores there are barely any displays of the Walmart cultural paraphernalia, whereas in Chinese stores, as described in great detail by David Davies, the displays at the front and in the back rooms of the stores are elaborate and dominating, with Sam Walton staring you in the face. No employee can escape them. The Walmart culture and its moralizing permeate the stores as constant didactic reminders. Perhaps only in China, where slogan displays still prevail throughout the urban landscape, do employees so easily accept the bombardment. Walmartizing the original U.S. Walmart culture can, at least superficially, claim some success in China, if not among the rank and file then among managers.

Walmart, the Chinese Unions, and the Chinese State

In July 2006 the All-Chinese Federation of Trade Unions (ACFTU) declared the establishment of a union branch in one of the stores, taking Walmart by surprise. Today, all Walmart stores in China have union branches. Chapter 9 explores why and how the Walmart store unions were set up, and why they have been accepted by Walmart. It will be seen that when the largest corporation in the world had to deal with a strong state, it had to capitulate, but secured provisions to do so on its own terms.

One aspect that should be noted was the lack of knowledge of trade unionism among lower-level union officials and workers. As will be seen in chapter 10, the only union model that local Chinese union officials know is the Maoist corporatist model of working closely with management. The role of a union branch at a state factory under Mao was to organize social events and provide nonwage benefits on behalf of management. As interviews conducted for chapter 10 also show, Walmart store workers from the countryside are likely not even to have previously heard of the word *union* and were unsure what it is supposed to do. Even a store manager like Edward had never had any contact with trade unions until he was suddenly told one existed at his store. (Neither do labor NGOs in China that work closely with factory workers have much understanding of trade unions.) Walmart accepted union representation at the workplace in circumstances where at most stores there was no knowledge among potential participants of what this might entail and where Walmart could control events without opposition.

This book, in sum, examines Walmart's operations in China from a number of important angles. It examines how and why Walmart turned to China as the main source of its merchandise. It examines Walmart's relations with the many thousands of manufacturers based in China who supply the huge retailer with the bulk of its products. And it penetrates a number of factories there that produce Walmart goods and investigates shop-floor work conditions and labor standards. Other chapters reach inside the giant Walmart stores that have sprung up across China. They explore the nature of Walmart's corporate culture within the stores and how it has been shaped to fit Chinese employees. In three chapters, the work situations and views of employees are examined from the perspective of a store manager, of a lower-level supervisor, and of check-out cashiers. And finally, the unionization of Walmart's retail operations is examined—one of the few instances around the world where Walmart has accepted a union. China looms large in the operations of the world's largest corporation, and through extensive, rigorous research this book illuminates its various aspects.

PART ONE

The Walmart Supply Chain

1 WALMART'S LONG MARCH TO CHINA

How a Mid-American Retailer Came to Stake Its Future on the Chinese Economy

Nelson Lichtenstein

A globalized world of commerce and labor has existed for centuries, but today's globalization differs radically from that of even a few decades past because of the contemporary role played by the corporate kingmakers of our day—the big box retail chains that now occupy the strategic heights once so well garrisoned by the great manufacturing firms of the Fordist era. At the crux of the global supply chains stand the Walmarts, the Home Depots, and the Carrefours. They make the markets, set the prices, and determine the worldwide distribution of labor for that gigantic stream of commodities that now flows across their counters. The deindustrialization of Detroit, Pittsburgh, and Cleveland entailed not just the destruction of a particular set of industries and communities, but the shift of power within the structures of world capitalism from manufacturing to a retail sector that today commands the supply chains which girdle the earth and directs the labor power of a working class whose condition replicates much that we once thought characteristic of only the most desperate, early stages of capitalism.

From Bentonville to Guangdong

All this is graphically evident on a visit to the two most dynamic nodes of today's transnational capitalism—Bentonville and China's Pearl River Delta. It is easy to get to Bentonville, Arkansas, where Walmart has its world headquarters in an unimpressive, low-slung building close by the company's original warehouse. There are lots of direct flights from Denver, Chicago, La Guardia, and Los Angeles to this once-remote Arkansas town. Bentonville itself has a population of just twenty-five thousand, but the parking lots are full, the streets crowded, and there is new construction everywhere. Most important, Bentonville and the rest of northwest Arkansas is now home to at least 750 branch offices of the largest Walmart "vendors." They have planted their corporate flag here in the hope that they can maintain or increase their sales to the world's largest buyer of consumer products. Procter & Gamble (P&G), which in 1987 may well have been the first company to put an office in this part of Arkansas, now has a staff of more than two hundred there; likewise Sanyo, Levi Strauss, Nestlé, Johnson & Johnson, Eastman Kodak, Mattel, and Kraft Foods maintain large offices in what the locals sometimes call "Vendorville." Walt Disney's large retail business has its headquarters, not in Los Angeles, but in Rogers, Arkansas, right next door to Bentonville. These Walmart suppliers are a who's who of American and international business, staffed by ambitious young executives who have come to see a posting to once-remote Bentonville as the crucial step that can make or break a corporate career.[1] If they can meet Walmart's exacting price and performance standards, their products will be sucked into the stream of commodities that flow through the world's largest and most efficient supply chain. For any manufacturer, it is the brass ring of American salesmanship; this explains why all those New York, Hong Kong, and Los Angeles sophisticates are dining at the surprisingly large number of gourmet restaurants that have sprung up in northwest Arkansas.

If Bentonville represents one nerve center of capitalism's global supply network, Guangdong Province is the other. Located in coastal south China, it constitutes the raw entrepreneurial engine that links a vast new proletariat to the American retailers who are putting billions of Chinese-made products on a million U.S. discount-store shelves every day. With 15 million migrant workers, tens of thousands of export-oriented factories, and new cities like Shenzhen, which has mushroomed to more than 7 million people in just a quarter of a century, Guangdong lays an arguable claim to being the contemporary "workshop of the world," following in the footsteps of nineteenth-century Manchester and early twentieth-century Detroit. This was my thought when we taxied across Dongguan, a gritty, smoggy, sprawling landscape located on the east side of the Pearl River between Guangzhou and skyscraper-etched Shenzhen. We drove for more than an hour late one Sunday afternoon, along broad but heavily trafficked streets continuously bordered by bustling stores, welding shops, warehouses, small manufacturers, and the occasional large factory complex.

The Chinese government in Beijing chose Shenzhen as a special economic zone in 1979 because of its proximity to Hong Kong. A few years later the entire Pearl River Delta became part of the zone, with low corporate taxes, few environmental or urban-planning regulations, and the increasingly free movement of capital and profits. The results were spectacular. Gross domestic product in the Pearl River region leaped from US$8 billion in 1980 to US$351 billion in 2006. Shenzhen's population rose twentyfold. Guangdong Province itself produces a third of China's total exports, and almost 10 percent of all that finds its way to Walmart's U.S. shelves.[2]

Although Walmart owns no factories outright, its presence is unmistakable. Its world buying headquarters is now in Shenzhen, and it has already opened more than three hundred stores all over China, with others to come. It is feared and respected by everyone involved with any aspect of the export trade, which is why the executives at the Yantian International Container Terminal in Shenzhen, now the fourth largest port in the world, give top priority to cargoes bound for Walmart.

When Walmart first made the decision to source such a high proportion of its products in China, it did so not merely because goods were cheap and wages low but because, for Walmart and other multinational companies doing business there, a sound currency, excellent infrastructure, political stability, and a compliant workforce were nearly as important as low costs. Governments at both the provincial and national level were making huge infrastructure investments, and similarly tens of thousands of foreign investors from Taiwan, Hong Kong, South Korea, Japan, and the United States were building production facilities of increasing complexity and capacity. This made it possible to transform raw materials into containerized consumer goods in just a few weeks. Nike managers at the huge Yue Yuen factory complex in Dongguan bragged that they could fill an order from the United States in just two months. Container ships were loaded in half the time it took in Los Angeles.[3] It took four days for exports to clear customs in Guangzhou, eight days in Calcutta, and more than two weeks in Karachi. Likewise, the proportion of total production lost to power outages totaled 2 percent in Guangzhou, but 6 percent in Calcutta and Karachi.[4]

A decade ago such stability and efficiency seemed overwhelming compared to other East Asian manufacturing venues. As Andrew Tsuei, then managing director of Walmart's global procurement center in Shenzhen recognized, there were other countries where products could actually be sourced more cheaply. But as he argued, "If we have to look at a country that's not politically stable, you might not get your order on time. If you deal in a country where the currency fluctuates every day, there is a lot of risk. China happens to have the right mix."[5] But as this essay and others in this volume make clear, such stability and predictability no longer characterize the procurement operations of Walmart and other global retailers in China. Labor unrest, wage increases, and an unpredictable exchange rate have generated much tension within the global supply chains dominated by Walmart and the other retailers. To evaluate these growing contradictions, a historical understanding of this new socioeconomic phenomenon is essential.

Power and Place in the Retail Supply Chain

Neither Bentonville nor Guangdong, these anchors of the trans-Pacific supply chain, are the product of some abstract process of globalization; rather, both were constructed by a set of political and policy choices, in the United States and throughout the globe, that have shifted power from manufacturing to retail distribution, and from an economy in which the interests of relatively high-wage men played a central role to one in which the flexible, low-wage labor of women is increasingly crucial.

For most of the twenty-first century, Walmart has occupied the number-one spot on the Fortune 500 list of the largest American companies. With nearly 2 million employees worldwide and sales of more than US$375 billion in 2008, it is undoubtedly the largest private enterprise on the globe. However, size alone is not what makes Walmart and the other great retailers of our day, such as Tesco, Carrefour, Home Depot, and Sears Holdings, so important. Rather, it is the power that they command in the world economy, the leverage that they exert throughout the supply chains that channel the commodities from manufacturer to merchant, and from Asia to North America and Europe.

This is not the first time that the merchants have been on top. Retail hegemony in the twenty-first century echoes the mercantile regime once presided over by the great seventeenth- and eighteenth-century merchant and banking houses of Amsterdam, Hamburg, and the City of London. By the early nineteenth century, the merchants and traders of Philadelphia, New York, and Boston had moved to the fore. In a society in which production was highly decentralized and largely that of agricultural commodities, the power of these wholesalers, jobbers, and traders to make a market and manipulate it for their own purposes put them at the center of commerce, politics, and culture. They owned the clipper ships and railroads that extended the supply chains of their day across a continent and around the world.[6]

In the United States, the Civil War ended this first era of merchant power. For more than a century thereafter, until the 1980s, manufacturers set the price and determined the market for much of what they sold: the retailers, even when combined into large chains, had to take whatever prices and products they were offered.[7] Today, the merchants again stand at the apex of the world's supply chains. Indeed, the very phrase *supply chain* did not even exist twenty years ago. Historians and sociologists such as Emmanuel Wallerstein had first developed the idea of a "commodity chain" as part of a world systems schema. Then, in the 1980s, business consultants like Bain and Company coined the phrase *value chain management* or *supplier rationalization* to describe how components and materials were purchased and transformed into saleable goods. Frederick Abernathy and John Dunlop used the phrase *commodity channels* as recently as 1999 to describe the way apparel moved from Asian and Central American suppliers to North American retailers. In the twenty-first century, however, "supply chain," with its hard linkages and connotation of domination and subordination, has become the artful phrase. Theorists such as Gary Gereffi and Gary Hamilton have emphasized the market-making potential of the contemporary buyer-driven supply networks in order more clearly to evaluate the hierarchy of power and profitability that characterizes contemporary global trade.[8]

Much of the global economy is now driven by the supply chains that have their nerve centers in Bentonville, Atlanta (Home Depot), Minneapolis (Target), Troy, Michigan (K-Mart), Paris (Carrefour), Stockholm (Ikea), and Issaquah, Washington (Costco). The goal of these megaretailers is to contract for only those goods that consumers will actually buy in a given time frame, not what a set of once-powerful supply firms found it convenient and profitable to ship. Like Ford's first assembly line, which soon made obsolete so many traditional skills and processes in the metal-bending core of the U.S. economy, these supply-chain innovations have superseded virtually all other configurations in the manufacturer–distributor–retailer nexus.

Using a wide variety of new information technologies, the big box retailers of our day collect point-of-sale (POS) data and relay it electronically through their supply chain to initiate replenishment orders almost instantaneously. Thus when Walmart sells a tube of toothpaste in Memphis that information flashes straight through to Bentonville, then on to the P&G headquarters office in Cincinnati, the Ohio home-product manufacturer, which then immediately sends the electronic impulse directly to an offshore toothpaste factory, which adjusts its production schedule accordingly. In the days when products were made in the United States, P&G had long used its market power and sophisticated research on consumer buying habits to secure an outsized share of shelf space from traditional retailers. Today, Walmart has turned this power relationship on its head. The retailer's superior point-of-sale data collection system enabled Walmart to know more about the consumers of P&G products than did the manufacturer, which is one reason that P&G moved its main sales office to Bentonville in the 1980s. By the mid-1990s, Walmart was P&G's largest customer, generating more than US$3 billion in sales, or about 20 percent of P&G's total revenue. But P&G executives were well aware that their good fortune turned on Walmart's sufferance, which explains why they bought Gillette in 2005. The US$57 billion deal was designed to transform P&G into an even larger supply firm that could challenge Walmart's pricing power and its private label brands, but even this megamerger was not enough. "If you want to service Walmart you have got to be more efficient," asserted the retail consultant Howard Davidowitz. "The power will stay with Walmart."[9]

This is "lean retailing." To make it all work, the supply firms and the discount retailers have to be functionally linked. The giant retailers of our day, Walmart first among them, "pull" production out of their far-flung network of vendors, depending on the market. The manufacturers can no longer "push" product onto the retailer or the consumer. Constant and unpredictable changes in sales patterns must be met by just-in-time delivery systems. "Supply Chain Management"—that is the new business school buzz phrase—is the "science" of getting this to happen in the most efficient and cost-effective way.[10]

Walmart's Rural Origins

Walmart's history exemplifies this transmutation, but with a distinctive Arkansas accent. The company had its origins and began its stupendous growth in what might well seem a highly unlikely place. For most of its history, the Ozark plateau of northwest Arkansas and southern Missouri has been poor, white, and rural. Neither the New Deal nor the civil rights revolution had really come to the region when Sam Walton began to assemble his chain of small-town stores in the 1950s and 1960s. At this time the agricultural revolution of the early postwar era was in full swing, depopulating the farms and sending tens of thousands of white women and men in search of their first real paycheck. Some left for California or the industrial cities of the Great Lakes, but most were anxious to remain, near family, friends and small towns they knew so well.[11]

Walton took full advantage of these circumstances. He could pay rock-bottom wages and find a ready supply of grateful workers, especially women, who were delighted to exchange the grinding life on a subsistence farm for the sociable world of a small-town discount store. Walton's folksy paternalism was not a new management style, but he carried it off with brio, expressing a barely veiled contempt for the federal laws and bureaucratically structured Yankee business practices that sought to reshape Southern commerce. Like so many other employers of his time and region, Walton played fast and loose with minimum-wage regulations and overtime standards, not to mention the new laws governing race and gender equality in the workplace. And, of course, Walton and his growing army of store managers were bitter foes of any union effort to organize the workers in his company. State-level "right-to-work" laws, which deprived trade unions of the contractual right to insist that all workers in a firm covered by a collective bargaining contract join and pay dues, had been passed by the ultraconservatives who dominated most Southern legislatures in the 1940s and 1950s. This weakened existing labor organizations, made it more difficult to organize new ones, and created an antiunion business climate that speeded the migration of hundreds of labor-intensive industrial firms from the high-wage North to the small towns and rural areas of a still desperately poor South. With other Southern firms—in textiles, apparel, and food processing—Walmart therefore seized the opportunity to pioneer the union avoidance and union-breaking tactics that have become so characteristic of American management in recent years.[12]

At the same time, Walmart has projected a corporate culture that has celebrated family, community, and a faux-egalitarianism, uniting ten-dollar-an-hour sales clerks with the millionaires who work out of the Bentonville corporate headquarters. Although Sam Walton died in 1992, the company's communitarian ethos has long been identified with the founder's persona. As early as 1985, *Forbes* magazine calculated that Walton was then the richest man in the United States, but he still projected a sense of populist egalitarianism. Walton derided computer-age expertise and ostentatious displays of wealth, instead celebrating hard work, steadfast loyalty, and the mythos of small-town America as the key that unlocked success both for the corporation and the individuals employed in its many stores and warehouses.

Although his company avidly adopted the latest telecommunications and inventory-control technologies, the founder deemphasized the centrality of all that hardware. "We are no tech; not high tech or low tech," Walton told thousands of admirers who attended his last shareholder meeting in 1991.[13]

Walton and other executives institutionalized this imaginary social construction through an adroit shift in the linguistic landscape. They labeled all employees "associates," routinely used first names in conversation and on identification badges, and renamed the personnel department the Walmart "people division." Associates who perform below par are not disciplined but rather "coached" to achieve their potential.[14] Symbolic leveling of this sort often takes on a Carnivalesque flavor at the corporation's stadium-size annual meeting, where top executives are put through skits, songs, and vaudeville-like routines that embarrass them before thousands of raucous associates.[15] Even more important than this faux classlessness is the Walmart culture of country, faith, and entrepreneurial achievement. Don Soderquist, Walmart's chief operating officer during the early years of the company's overseas expansion, has taken it on himself to be the foremost articulator of the Walmart culture. He wrote in his 2005 memoir, *The Wal-Mart Way,* "I'm not saying that Wal-Mart is a Christian company, but I can unequivocally say that Sam founded the company on the Judeo-Christian principles found in the Bible."[16]

Soderquist is right to emphasize the extent to which Walmart exists within a particular kind of Protestant cultural universe, even if corporate officers refrain from declaring this evangelical sensibility to be an overt component of the Walmart culture. Arising out of an American South that spawned so many megachurches and TV evangelists, Walmart is immersed in a Christian ethos that links personal salvation to entrepreneurial success and social service to free enterprise.[17] Walmart publications are full of stories of hard-pressed associates, once down on their luck, who find redemption (economic and spiritual) through dedication to the company. Selfless service, to the customer, the community, and to Walmart, will soon reap its own reward. Thus a 1991 *Associate Handbook* declared that Walmart "believes management's responsibility is to provide leadership that serves the associate. Managers must support, encourage and provide opportunities for associates to be successful. Mr. Sam calls this 'Servant Leadership.'"[18] That phrase, which has gathered a subtle Christian connotation though secular in its first use, has appeared with increasing frequency in Walmart publications and also among a growing number of company vendors.[19]