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On Private Web Site, Wal-Mart Chief Talks Tough

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In a confidential, internal Web site for [Wal-Mart's](#) managers, the company's chief executive, H. Lee Scott Jr., seemed to have a rare, unscripted moment when one manager asked him why "the largest company on the planet cannot offer some type of medical retirement benefits?"

Mr. Scott first argues that the cost of such benefits would leave Wal-Mart at a competitive disadvantage but then, clearly annoyed, he suggests that the store manager is disloyal and should consider quitting.

The Web site, which Mr. Scott uses to communicate his tough standards to thousands of far-flung managers, gives a rare glimpse into the concerns that are roiling Wal-Mart's retailing empire, from the company's sagging stock price to how it treats its workers. Judging by the managers' questions, Mr. Scott has an internal public relations challenge that in some ways mirrors the challenge he faces from outside critics.

And while Mr. Scott's postings are usually written in a careful, even guarded manner, they can often be revealing — for example, showing a defensiveness and testiness with critics — that Mr. Scott normally keeps under wraps.

Copies of Mr. Scott's postings covering two years were made available to The [New York Times](#) by [Wal-Mart Watch](#), a group backed by unions and foundations that is pressing Wal-Mart to improve its wages and benefits. Wal-Mart Watch said it received the postings from a disgruntled manager. While the existence of the Web site and Mr. Scott's participation in it have been known, transcripts have never been made public before.

The Web site has a folksy name — Lee's Garage, because Mr. Scott pumped gas at his father's Kansas service station while growing up.

But its tone is at times biting. In his response to the store manager who asked about retiree health benefits, Mr. Scott wrote: "Quite honestly, this environment isn't for everyone. There are people who would say, 'I'm sorry, but you should take the risk and take billions of dollars out of earnings and put this in retiree health benefits and let's see what happens to the company.' If you feel that way, then you as a manager should look for a company where you can do those kinds of things."

Mona Williams, a Wal-Mart spokeswoman, said Mr. Scott responded so sharply because of the manager's sarcastic tone. The question, she said, indicated the manager failed to understand how competitive retailing is and would not be able to convey that to his subordinates.

"At Wal-Mart, we communicate very candidly with one another," she said. She added that Mr. Scott's tone did not deter employees from asking questions, noting that 2,147 questions have been asked since last April.

Commenting on a labor union that is fighting Wal-Mart's expansion plans in New York City and elsewhere, Mr. Scott wrote in the Web site, "that way its members' employers" — meaning many Wal-Mart competitors — "can continue to charge extremely high prices for food and tolerate poor service."

Stung by the many news media reports about allegations of sex discrimination, off-the-clock work and child labor violations at Wal-Mart, Mr. Scott wrote, "The press lives on things that are negative."

The Web site shows many sides of one of the nation's most powerful executives. He denounces managers who complain about the company or their subordinates. He frets about the success of his discount rival [Target](#). He exhorts employees to act with integrity. He mocks [General Motors](#) for problems caused by its generous benefits. He rejects a manager's suggestion that Wal-Mart has created "a culture of fear," and he hails Wal-Mart's performance in responding to Hurricane Katrina.

Mr. Scott has made some of these points before in public speeches, but in these confidential e-mail messages to managers, he delivers far blunter insights in much greater detail.

In one posting, he urges managers to set an example by doing more to comply with the company's 10-foot rule, requiring employees to smile and ask "Can I help you" when a shopper is less than 10 feet away.

In his postings, Mr. Scott tries to strike a chummy, "in the trenches" tone, reminding managers how frequently he visits stores — at least once a week — and pops into meetings unannounced "to make sure there's not a filter keeping me from hearing what's really important."

But his responses often serve to remind managers of the gap between them and their chief executive, who earned more than \$17 million last year, including stock options, who hops around the globe on Wal-Mart's fleet of jets and who lives in a gated community called Pinnacle.

"I recently had dinner with the prime minister of the U.K., [Tony Blair](#), and his wife; my wife and I had a meeting with Prince Charles to talk about sustainability; and I met with Steve Case, the founder of AOL, and talked about health care," Mr. Scott wrote in a two-week-old entry describing how he represents Wal-Mart around the world.

Mr. Scott, 56, joined Wal-Mart in 1979 as its assistant trucking manager. Helped by his affable manner and his command of the company's vast distribution system, he was named chief executive in 2000.

Throughout the dozens of postings, Mr. Scott shows deep concern about the many attacks and allegations that Wal-Mart skirts environmental and labor laws. He acknowledges that Wal-Mart used to have a greater tolerance for managers who cut corners, but his postings insist that Wal-Mart's new focus is on total compliance with the law. In a posting last June, he quoted the Rev. Dr. [Martin Luther King Jr.](#), saying, "The time is always right to do what is right."

Responding to a manager's question about attacks on Wal-Mart's image, Mr. Scott wrote in an April 2004 posting: "Your value to Wal-Mart is outweighed by the damage you could do to our company when you do the wrong thing."

"If you choose to do the wrong thing: if you choose to dispose of oil the wrong way, if you choose to take a shortcut on payroll, if you choose to take a shortcut on a raise for someone — you hurt this company," he added. "And it's not unlikely in today's environment that your shortcut is going to end up on the front page of the newspaper. It's not fair to the rest of us when you do that."

Lee's Garage was set up in January 2004, at Mr. Scott's suggestion, to improve communications with managers after a wave of particularly bad publicity, including a federal raid that rounded up 250 illegal immigrants who cleaned Wal-Mart stores and a class-action lawsuit charging sex discrimination, filed on behalf of 1.6 million current and former female employees.

Ms. Williams of Wal-Mart said a public relations assistant screened the questions and Mr. Scott dictated responses to an aide. At first the site was accessible only to salaried managers. Last October, it became available to all 1.3 million employees in the United States.

The questions posted on the Web site range from the self-interested (when will managers receive a raise?) to the competitive (will the merger of Sears and Kmart hurt Wal-Mart?) to the academic (is Wal-Mart technically a monopoly that could be broken up?).

A recurring theme is the attacks on Wal-Mart's image and managers' worries that these attacks are undermining employee morale and the company's ability to grow. Asked if the negative publicity has slowed Wal-Mart's expansion, Mr. Scott responded: "I think it probably has. You can't get letters that say, 'I read where you're doing this and therefore I'll never shop with you again,' and assume everyone who writes that is just some nut. Some of those are real people who don't know us and believe what they've read."

A manager of a Wal-Mart's store in Medford, N.Y., asked about Wal-Mart's repeated failure to gain zoning variances and other government permits to open its first store in New York City. "We're going to have to be a lot more sophisticated about it than we have been," he said, saying that Wal-Mart brings good jobs and great prices. "But I think you'll see us get the stores."

Though Wal-Mart is three times larger than its next biggest retail rival, Mr. Scott appears to be preoccupied with competitors whose individual store sales are growing faster than Wal-Mart's — namely Target and Walgreens.

Asked about Wal-Mart's stock price, which has fallen 11 percent in the last five years, Mr. Scott said: "You cannot have Target or Walgreens beating you day after day after day." Mr. Scott wrote that one reason Wal-Mart's same-store sales were growing more slowly than Target's was that Wal-Mart's customers earn less and have been squeezed worse by soaring fuel prices.

"Wal-Mart's focus has been on lower income and lower-middle income consumers," he wrote. "In the last four years or so, with the price of fuel being what it is, that customer has had the most difficult time. The upper-end customer got a tremendous number of tax breaks about four years ago. They have been doing very well in this economy."

He said having to pay \$50 to gas up a car did not change anything for rich customers, but did for those who didn't earn a lot. "It changes whether or not you go to the movie, whether or not you buy new sheets, whether or not you go out to eat."

At several points, Mr. Scott addressed criticisms that Wal-Mart health plan was too stingy toward its employees. He said that Wal-Mart's health plan "stacks up very, very competitively" with other retailers. In a knock at companies that provide more generous benefits, Mr. Scott wrote: "One of the things said about General Motors now is that General Motors is no longer an automotive company. General Motors is a benefit company that sells cars to fund those benefits."

In one posting, Mr. Scott talked about how proud he was about Wal-Mart's response to Hurricane

Katrina, when it rushed urgent supplies to the Gulf Coast. "The media coverage has been extremely positive and speaks to who we really are as individuals, and as a company."

When one manager asked how an associate — Wal-Mart's term for an employee — could become chief executive of the world's largest retailer, Mr. Scott wrote, "The first thing you can do is make sure you treat your people well, and understand that your associates are what will make you a success."