Nike

#1 in athletic shoes

Employees: 3,800 Sales: $2.0 billion Profits: $212 million Founded:1968 Headquarters: Beaverton, Oregon

Nike was born as a supplier of athletic shoes, and this preoccupation with performance, rather than fashion, has held true for more than a quarter century, lifting the company into the premier position in the American footwear industry.

When sprinter Carl Lewis won four gold medals at the 1984 Olympics, he was wearing Nikes. When Joan Benoit won the first women's Olympic marathon, she was shod in Nikes. In all, 58 athletes at the 1984 Olympics wore Nike shoes, and they captured 65 medals. Tennis brat John McEnroe became a spokesman for Nike, pushing not only their shoes but also sweats and other apparel. High-flying Michael Jordan, star of the Chicago Bulls, floats through the air on a pair of Air Jordans crafted by Nike. And toward the end of the 1980s, in one of the most celebrated commercials of the decade (sneakers commercials now have a life of their own), the versatile Bo Jackson made the point that Nikes show up wherever games are played.

Nike's sales exploded during the 1980s, topping the $2 billion mark by 1989, 10 times what they were at the start of the decade. Nike's sales also include sports clothing and accessories like athletic bags. And in May 1988 they bought Cole-Haan, maker of dress and casual shoes for men, women and children.

Nike is not a manufacturer. The millions of sneakers they have sold come from plants in other countries, none of them Nike owned. South Korean producers supply Nike with two-thirds of their footwear. Nike's best-sellers are basketball shoes (18 percent of total sales in 1988), followed by running shoes (14 percent) and children's shoes (8 percent).

History. Nike was born on the cinder track at the University of Oregon. That's where Bill Bowerman, one of the top running coaches in America, met Phil Knight, a hotshot runner on Bowerman's track team. Coach Bowerman's hobby was designing faster, lighter running shoes, which he handcrafted for his world-class team. "He figured carrying one extra ounce for a mile was equivalent to carrying something like an extra thousand pounds in the last 50 yards," Knight once told the New York Times. In 1962, young Knight moved on to the Stanford Business School, with his coach's passion for lightweight athletic shoes still on his mind. At Stanford, Knight wrote a research paper arguing that high-tech, low-priced running shoes could be made in Japan and successfully merchandised in the U.S. Knight soon went to Japan and wangled a distribution deal with a Japanese athletic shoe manufacturer, Onitsuka Tiger Company. Blue Ribbon Sports, Nike's predecessor, was born when Bowerman and Knight each kicked in $500.

Knight stored the shoes, called "Tigers," in his father's basement and distributed them at local track meets. During the 1960s, Blue Ribbon Sports gained a cult following among serious runners, who favored models like "the Cortez," "the Boston" and "the Marathon"--the first running shoe with a lightweight nylon upper. Coach Bowerman continued to tinker with designs-like the "waffle" sole, created by dripping rubber onto a waffle iron. In 1971, they adopted the "Swoosh" trademark, the now familiar Nike logo of a curved strip on the side of the shoe, and introduced the brand name Nike (after the Greek goddess of victory). After a dispute with Onitsuka Tiger in 1972, they contracted out to other Asian factories. That same year, Bowerman coached the U.S. Olympic track and field team. Blue Ribbon Sports officially changed their name to Nike in 1978.

Owners and rulers. Founder Philip Knight is still firmly in control. Of the two classes of stock, A and B, he owns 90.4 percent of the Class A shares, worth $760 million. These holdings put him high on Forbes, 1989 list of the 400 richest Americans. The Class A stock elects 75 percent of the board, whose members in 1990 included cofounder William Bowerman and Jill K. Conway, former president of Smith College.

As a place to work. A lot of jocks used to work at Nike. More professional managers run the show these days. In his 1988 report to shareholders, Knight proudly pointed out that all of the vice presidents listed in the 1981 annual report had left the company. All employees participate in a profit-sharing plan funded by the company, whose 1988 contribution was $3 million. Stock options are available only to "key employees."

Global presence. Nike sells their products in 60 countries, and 20 percent of their sales occur outside the U.S. They use the Japanese trading company, Nissho Iwai, as their sales agent.

Stock performance. Nike stock bought for $1,000 in 1981 sold for $5,952 on January 2, 1990.

Consumer brands. Nike, Cole-Haan.

Whatever Happened To ... RCA?

Originally Radio Corp. of America, RCA pioneered radio broadcasting in the United States under the leadership of General David Sarnoff. They launched the National Broadcasting Company (NBC) network in 1926, entered the record business in 1930 and became the first company to market a television set. After World War II, RCA advanced to the ranks of the top 50 corporations by buying a variety of unrelated businesses-lending (C.I.T. Financial), frozen entrees (Banquet), publishing (Random House), carpets (Coronet) and car rentals (Hertz). More than 100,000 people worked for RCA. In the 1980s all these businesses were sold off, culminating in 1986 with the sale of RCA itself to General Electric for $6.4 billion. Hertz was sold to United Airlines and then to a partnership of Hertz managers and Ford Motor. Random House became part of the Newhouse publishing emporium. The RCA consumer electronics business (TV sets, VCRs) was sold to a French company, Thomson. The RCA record business was sold to the German publisher, Bertelsmann. RCA Global Communications (the original business) was sold to MCI. The NBC radio network was sold to Westwood One. All the NBC-owned radio stations were also sold by GE. The RCA operations that remained at General Electric are the NBC television network, five NBC owned TV stations and the defense electronics divisions. The RCA name was rubbed off the 30 Rockefeller Plaza building in Rockefeller Center. Now it's called the General Electric Building.

HEWLETT PACKARD

#3 in computers

Employees: 91,000 Sales: $12.3 billion Profits: $809 million Founded:1939 Headquarters: Palo Alto, California

The father of Silicon Valley, HewlettPackard used to be known as a company of engineers making products for other engineers. The quintessential HP product is their hand-held calculator for scientific types. Introduced in 1972, it rendered the slide rule obsolete. Their products generally carried high prices. So the word used to be that HP stood for "high prices."

This elitist stance was abandoned in the 1980s as HP scrambled for a place in the fast-moving computer industry. In May 1989 they entered the lucrative workstation market when they bought Apollo Computer. They still make a variety of testing and measuring devices, such as calculators and monitors at the bedsides of intensive-care patients, but they also supply computer products, from minicomputers and laptops to disk drives and printers. Their laser jet printer, introduced in 1984, became the most successful product in Hewlett-Packard's history. By 1988 they'd shipped 1 million of them.

Not until 1978 did sales of computer products outsell testing and measuring devices. By 1990 computer products accounted for two-thirds of HP's total sales. The first top-level management change in HP's history also came in 1978, when John A. Young became CEO. It also marked the first time the company had not been headed by one of the two co-founders: William Hewlett and David Packard. The pre1978 HP concentrated on making good products, counting on their quality to win the day. The new HP has to get their hands dirty figuring out what customers need and then fighting other companies like IBM and DEC for sales orders.

However, HP has held to the values that built the company and made them a model for the rest of Silicon Valley. They still don't resort to mass layoffs. They still come to work in jeans and open shirts. They practice an easy informality. And they have many offshoots. More than a dozen companies, including Tandem, Apple, 3Com and Sydis, have roots in Hewlett-Packard.

History. In 1934, two electrical engineers fresh out of Stanford took what turned out to be a most important fishing trip in the Colorado mountains. Discovering they had much in common, William Hewlett and David Packard talked about starting their own company some day. Five years later, they put up $538 and went into business in a garage in Palo Alto, where they built a low-priced device to measure sound frequencies. Walt Disney bought eight of them to make Fantasia, and the fledgling company was off to a solid start. At first HP was no more than a little lab, where Bill and Dave, as the two are known, developed various products to measure sound and light waves for engineers and scientists. In the early years, their wives worked at other jobs so that they could keep their enterprise afloat.

World War II turned the little lab into a little company. Government orders poured in, and HP had nearly 100 employees by 1943. Hewlett and Packard refused to accept large " hire-and- fire" government contracts because they didn't want to hire people-and then have to lay them off at the end of the contract. They also instituted profit sharing and made stock available to employees, enabling many HPers to leave the company as millionaires. MBWA-management by walking around-is another HP practice widely copied. In the 1960s, HP became one of the first companies to introduce flex-time.

In the 1970s, HP's hottest product was the scientific hand-held calculator. Bill Hewlett was convinced people would like a powerful calculator small enough to fit into a shirt pocket. Despite a marketing study showing people wouldn't buy it, Hewlett had his engineering team begin the design by measuring his shirt pocket. According to company lore, their most popular product of the 1980s--the laser jet printer-began in typical HP style: an informal conversation in a hallway.

Owners and rulers. Although Hewlett and Packard have both stepped aside (Packard was still chairman of the board in 1990), they remain the largest stockholders. In 1989, the 77-year-old Packard held 16.6 percent of the shares, the 76-year-old Hewlett 11.5 percent, making each of them billionaires. In 1987, two sons of the founders joined the board, although they don't work for the company. Walter B. Hewlett, holder of 7.2 million shares, started the Center for Computer Assisted Research in the Humanities. David Woodley Packard, former professor of ancient Greek at UCLA, heads the Packard Humanities Institute, founded to support basic research in the humanities. He holds 204,000 shares. Both sons were 47 when they were first elected to the board. Packard's money also built the Monterey Aquarium in California.

CEO John Young, an Idaho-born engineer with an MBA from Stanford, started with HP in 1958. He was 58 in 1990. He earned $2.7 million in 1989.

As a place to work. A model for others. HP has no time clocks and follows one of Bill Hewlett's dictums: "Men and women want to do a good job, a creative job, and if they are provided the proper environment, they will do so." HP has good pay, profit sharing, vacation retreats, awards 10 shares of stock every time you complete 10 years of service. The one negative, heard from women, describes HP as a male engineer's domain.

Social responsibility. HP gives more than $50 million a year in cash or equipment, especially to educational institutions and communities where they have plants. Employee contributions are matched dollar for dollar. They sold their South African company in 1989. The company's success led to the creation of two of the country's biggest foundations: the William and Flora Hewlett Foundation and the Lucille Packard Foundation.

Global presence. When HP celebrated their 50th birthday in 1989, 109 ambassadors from overseas units came to Palo Alto to take part in the festivities, which included a dinner with founders Bill Hewlett, David Packard and the board of directors. A gathering of 300 people also witnessed the dedication of the garage where Hewlett and Packard started out as a California historic landmark and "the birthplace of Silicon Valley." The employees selected to come to the U.S. were, for the most part, elected by their fellow employees. They represented 32 countries. In 1988 HP did 53 percent of their business abroad, the first time that foreign sales topped the domestic total. And they take pride in exporting the HP culture es well as their technological know-how.

Stock performance. Hewlett-Packard stock bought for $1,000 in 1980 sold for $3,354 on January 2, 1990.

Hewlett-Packard Company, 3000 Hanover Street, Palo Alto, CA 94304; (415) 857-1501.

Wal-Mart

#3 in retailing

Employees: 247,500 Sales: $25.9 billion
Profits: $1.1 billion Founded: 1962
Headquarters: Bentonville, Arkansas

The shooting star of retailing, Wal-Mart Stores soared right to the top during the 1980s by combining a simple strategy with rigorous attention to detail, a streak of down-home southern evangelism and the charisma of Sam Walton, who never stopped telling associates ("employee" is taboo at Wal-Mart) they could accomplish miracles and that the company's success was due entirely to them.

The strategy was clear-cut: Sell goods at low prices; concentrate on brand-name merchandise; always have products in stock (which meant having a distribution center within a day's truck drive of every store); offer friendly service (greet every customer with a "Welcome to Wal-Mart" and never argue with someone returning an item); stay out of big cities; go into small towns (under 50,000 population) or into the perimeters of major metropolitan areas. Too simple? A secret formula? No. Wal-Mart told everyone what they were doing. And any competitor was free to check out a Wal-Mart store. And every year there were more of them to check out.

Wal-Mart's execution was superb. Fanning out from Bentonville, Arkansas, in the foothills of the Ozarks, they advanced in concentric circles, putting down stores (and distribution centers behind them) and selling a wide variety of household goods, clothes, personal-care items, drugs, jewelry, toys, garden supplies-all under such banners as: "We Sell for Less" and "Everyday Low Prices." By mid1990 they had about 1,500 stores in only 29 states (including their first ones in California and Pennsylvania). They were about to become number one in retailing, but nearly half of all Americans didn't even know what a Wal-Mart is (although they will soon).

In 1980, when the first edition of this book was published, Wal-Mart wasn't even profiled. They were too small-the 39th largest store operator in the country, based on sales. In 1990 they were nearing sales of $30 billion a year, pointing to $60 billion by 1994. The retailing industry has never seen anything like the Wal-Mart phenomenon.

In addition to Wal-Mart discount centers, the company operates 105 membership-only Sam's Wholesale Clubs in 21 states, 4 Hypermarkets (each the size of five football fields), 14 Dot discount drug stores in 4 states and 8 Wal-Mart Supercenters (combination general merchandise and grocery store).

History. In 1940, 22-year-old Sam Walton took a management trainee position at J. C. Penney in Des Moines, Iowa. At Penney, Walton found he had a knack for retailing. He learned there to call employees "associates" and to refer to managers as "partners." By 1945, Walton was ready to run his own store and when a franchised Ben Franklin store became available in Newport, Arkansas, he took it on.

By 1959, Walton was operating nine Ben Franklins and was the largest franchisee in the chain. Then Sam Walton got his brainstorm: Why not turn Ben Franklin stores into a discount chain, specializing in low prices not merely occasionally, but every day? When the owners of the Ben Franklin system turned him down, Walton struck out on his own. In 1962, he opened his own discount store, called Wal-Mart Discount City, in Rogers, Arkansas. In 1970 company shares were first sold to the public.

Owners and rulers. Sam Walton, aged 72 in 1990, stepped down as Wal-Mart CEO in favor of David Glass in 1988. CEO Glass took home a whopping $6.8 million in 1989, making him the second-highest paid CEO on Forbes Super 50 list of the 50 biggest companies. Walton has continued as chairman and chief cheerleader. Wal-Mart stock rose so much during the 1980s that for four consecutive years beginning in 1985 Sam Walton stood at the top of the annual Forbes roster of the 400 richest Americans. He was down-listed to 18th in 1989 only because the magazine decided it was appropriate to split the fortune among the Walton family members-Sam, his three sons and daughter. Each was therefore ranked 18th with $1.8 billion. The family company, Walton Enterprises, owns 38.5 percent of Wal-Mart's stock. Sam Walton is not a flamboyant or publicityseeking billionaire. He has turned down repeated invitations to appear on CBSs "60 Minutes." He works out of a plain, drab office. He never took a salary higher than $325,000 a year. He brought onto the Wal-Mart board Robert Kahn, a San Francisco Bay Area management consultant who functions as the social conscience of the retail industry. His presence says a lot about what Wal-Mart stands for. No hanky-panky. No gifts accepted from vendors. No exorbitant salaries. No false advertising.

As a place to work. The wages aren't high, but Sam Walton has instilled in his employees a spirit of partnership through constant stroking, a profit-sharing plan invested largely in Wal-Mart stock (almost the best investment anyone could have made in the 1980s), bonuses tied to profit goals and reduction of shrinkage (merchandise lost through thievery, either by employees or customers) and a stock purchase program partially subsidized by the company. And anyone who's ever been to a WalMart annual meeting in Bentonville knows this approach: The annual show is like a high school football pep rally. CEO David Glass likes to describe the Wal-Mart culture as one where ordinary people can become overachievers. Neither women nor minorities are prominent in the Wal-Mart management hierarchy, however,

Social responsibility. Wal-Mart has been so successful not everyone likes to see them come to town, especially other merchants. Kenneth Stone, an economist at Iowa State University, conducted a study which found that after a Wal-Mart opened up, local merchants-stores selling groceries, hardware, shoes, toys, clothing-suffered, many of them even forced out of business. A study conducted at the University of Missouri came to the opposite conclusion, finding everyone benefits from a Wal-Mart, but then Wal-Mart funded the Missouri study with a $10,000 grant. In 1989 a referendum to stop a now shopping mall anchored by a Wal-Mart was put to a vote in Iowa City; it lost, 4,669 to 3,954. WalMart insists they're a good corporate citizen wherever they operate and that opposition to their stores is frequently inspired by inefficient storekeepers. Wal-Mart encourages associates to volunteer for community service and supports such efforts by grants of up to $2,000 to groups in which associates are active.

Wal-Mart even makes believers out of hardened security analysts on Wall Street. In 1989, after the New York Times Magazine ran an article describing how Wal-Mart drove local merchants out of business in Independence, Iowa, Margaret A. Gilliam, retail security analyst at First Boston, protested in a letter to the editor that was never published. Gilliam wrote, "Wal-Mart deserves accolades for bringing low-cost merchandise to people struggling to make ends meet in small communities in the Farm Belt and Oil Patch."

Global presence. Zero. Strictly American-and proud of it. In 1985 Sam Walton launched a "Buy American" crusade, offering to work with American manufacturers to "bring production back to our shores." He promised, in effect, to buy American-made goods that were competitive in price and quality with imports. In 1989 Wal-Mart reported that as a direct result of this program 41,000 jobs had been created or saved and more than $1.7 billion worth of orders had gone to domestic companies that otherwise would have been placed offshore. Two examples: Wal-Mart used to buy stacking chairs from Taiwan; now, thanks to a $459,000 commitment from Wal-Mart, the chairs come from Flanders Industries of Fort Smith, Arkansas. In 1983 Wal-Mart imported most of their dress shirts; today 50 percent come from U.S. plants. In 1988 Japan's Sanyo was ready to close their TV set plant in Arkansas after Sears, Roebuck stopped buying receivers made there. The plant stayed open because Wal-Mart came through with a contract. Wal-Mart stores were selling a 25-inch Sanyo color set for $289 in 1989.

Stock performance. Wal-Mart stock bought for $1,000 in 1980 sold for $43,283 on January 2, 1990.

Consumer brands. Wal-Mart, Sam's Wholesale Club, Hypermarket.

As Biggest Business, Wal-Mart Propels Changes Elsewhere

By LESLIE KAUFMAN

October 22, 2000

Sometime before the end of the year, a milestone in American capitalism will pass. Wal-Mart Stores' annual sales are on track to exceed those of General Motors, the largest American company for much of the last half-century.

Soaring oil prices will help Exxon Mobil edge Wal-Mart out of the top slot this year, but oil companies' fortunes routinely rise and fall with the state of affairs in the Middle East. In contrast, Wal-Mart's relentless and rapid rise is transforming whole industries, from consumer manufacturing to retailing and food processing and sales. Indeed, its reach is now so broad that Wal-Mart is lending extra momentum to important elements of the new economy, including the globalization of manufacturing and the use of technology to achieve productivity gains.

Wal-Mart did not seem a likely heavyweight in 1962, the year Sam Walton opened his first store in Rogers, Ark., with a sign saying "Wal-Mart Discount City. We sell for less." But the retailer, based in Bentonville, Ark., has built a nearly $200- billion-a-year empire by selling astonishing quantities of all manner of items from lawn mowers to toilet paper.

Total annual retail spending in America, excluding automobiles and boats, is roughly $2.3 trillion. Wal- Mart's domestic sales for the fiscal year ended in January were $142 billion, or 6.2 percent of the total. To put it another way, Wal-Mart sells 19 million pairs of women's jeans a year and an average of 19,634 pairs of shoes an hour.

In keeping with its founder's determinedly humble and press-shy persona, Wal-Mart has no plans to celebrate its ascendancy. "We don't keep track," Lee Scott, Wal-Mart's chief executive, said. Still, as Mr. Scott admits, the company has been a force behind "driving unnecessary costs out of businesses."

That is an understatement. To keep its prices low, Wal-Mart is always pushing its suppliers, an army of more than 65,000 companies, to become leaner machines that examine every penny they spend.

This ruthless drive to cut fat has clearly reshaped the practices of both businesses that have worked with Wal-Mart and those that compete against it. The Wal-Mart hallmarks for keeping costs down — the use of cutting-edge technology, masterful logistics, reliance on imported goods and a nonunion work force — are becoming industry standards.

Those retailers that have failed to keep up have suffered. Wal-Mart's potentially devastating effect on mom-and-pop businesses has been widely reported, but many in the industry argue that Wal-Mart is now large enough that it is also driving midsize to large players out of business and speeding consolidation among others. (Philip Morris's decision to merge the food giants Kraft and Nabisco into one entity, for example, was seen by many as a way to increase its leverage with retailing giants.)

And while Wal-Mart's business practices are greatly emulated, they are often controversial. As Wal-Mart accelerates its drive to open stores abroad, local groups have formed to protest the company's practices. Labor advocates say overseas factories that supply Wal-Mart are routinely among those with the worst working conditions. In addition, as Wal-Mart begins to compete with American businesses that are mostly unionized, labor unions, their members and some local government agencies are arguing that the company is big enough to exert downward pressure on benefits and wages across whole regions of the country.

“If you are an admirer of capitalism, they are the epitome of it,” said Carl Steidtmann, an economist with PricewaterhouseCoopers who studies retailing. “They are the prime example for the good and bad.”

Wal-Mart is considered so efficient that executives at retailers from Bloomingdale's to Banana Republic openly admire it. Less direct homage is paid every day by competitors. When Charles Conaway, the new chief executive of Kmart, announced last summer that his first major move with the company would be to spend $460 million to upgrade information systems, he was tipping his hat to Wal-Mart.

Doing business the Wal-Mart way means constantly figuring out how to cut costs. Some manufacturers say that Wal-Mart is heavy-handed in pressing suppliers on details of their operations, like the location of their corporate offices. (Wal-Mart, located in out-of-the-way Bentonville, hates high urban rents.) One corporate executive, who asked not to be named, tells of a vendor summit meeting called by David Glass, Wal-Mart's chief executive until January of this year, where the attending executives were chastised for flying in on private jets. (At the time, Bentonville had limited direct airline service.) Wal-Mart officials, asked about the story, said the company did not discuss meetings with vendors.

But most suppliers say the real pressure arises when Wal-Mart demands a particularly low wholesale price. They say the chain does not care how a supplier meets its demands.

Many argue that doing business with Wal-Mart is a good thing, a trial by fire. “I went there knowing we were going to get squeezed and wrung and twisted — all in positive ways,” said Paul R. Charron, chief executive of Liz Claiborne Inc., which designs the Russ clothing brand especially for Wal-Mart.

For the Wal-Mart account, Mr. Charron built a separate staff with offices outside New York He employs fewer people there than he does for servicing department stores and relies heavily on technology, which he calls “faster, quicker and cheaper when optimized.”

Even so, Mr. Charron's staff still finds itself in frequent discussions with Wal-Mart over costs, even very small ones. “They will ask if that zipper is right, or does that piece of lace trim add value,” he said.

Mr. Charron says that the lessons from Wal-Mart have made Claiborne a tighter ship.

Hal J. Upbin, chief executive of the Kellwood Company, an apparel manufacturer that does about $200 million in annual business with Wal- Mart, concurs. “They are tough,” Mr. Upbin said. “They want the lowest prices, and it requires a lot of creativity and ingenuity on our part” to meet Wal-Mart's needs.

Whether Wal-Mart's demands cross the line from the obsessive to the crushing is a subject of hot debate among suppliers. But Wal- Mart's purchasing power is so great that none of its trading partners were willing to go on the record saying negative things about it.

Still, it is not hard to find companies whose bottom lines have been wounded by the retailer. In the 1990's, Rubbermaid was the leading brand-name maker of common kitchenware and household items like laundry baskets. But when the price for the main component in its products, resin, more than tripled between 1994 and 1996, Wal-Mart balked at paying increased prices.

When Rubbermaid insisted, Wal- Mart relegated the manufacturer's items to undesirable shelf space and used its market power to promote a Rubbermaid rival, Sterilite, which made lower-priced nonresin products. Profit margins fell substantially at Rubbermaid, and it has since been bought by another household goods giant, Newell.

Neither Wal-Mart nor Newell Rubbermaid would comment on their relationship.

Still, while companies complain, many economists, market analysts and even government regulators see as something bordering on heroic the Wal-Mart effort to use its formidable market share to start its own brands and to break up monopolies in price- inflated categories.

"They have done more than Alan Greenspan to lower prices," said Burt Flickinger III, managing director of Reaching Marketing, a consulting firm in Westport, Conn., that frequently works for the Federal Trade Commission. "In the case of vitamins, pet food and baby formula, they have broken the half-nelson" of the dominant companies.

In the mid-1990's, for example, seven companies controlled 90 percent of the market for multivitamins. Last year, a federal judge approved a settlement in which all seven pleaded guilty to charges of price collusion. But Wal-Mart changed the landscape in that business in just 15 months. It introduced its own product, called One Source, in 1997, and it is now among the top-selling multivitamins in the United States.

While economists wax ecstatic about Wal-Mart's effect on domestic consumer prices, the company has become a target of labor activists.

Wal-Mart discontinued its once heavily advertised "Buy America" program, which contained a pledge to use domestic suppliers wherever possible, in 1998 in tacit recognition of its dependence on foreign suppliers. But Wal-Mart has been caught numerous times having subcontracted work to vendors operating under abusive conditions.

"In country after country, factories that produce Wal-Mart goods are the worst," said Charles Kernaghan, executive director of the National Labor Committee. "They will cut every single corner available." The National Labor Committee, a nonprofit group that addresses concerns of global workers, was instrumental in exposing the fact that sweatshop workers were making products for Wal-Mart's Kathie Lee Gifford clothing line.

Wal-Mart vigorously disputes those charges, saying it has a strict code of ethics and that it cuts off contractors who violate them. "There will always be people who break the law," said Mr. Scott, who argues that most Wal-Mart manufacturers provide decent working conditions.

As the largest private employer here at home, with more than one million full-time and part-time employees, Wal-Mart's rabidly antiunion stance is increasingly making the retailer a lightning rod for many labor disputes, particularly over health benefits. Take the example of food workers. In 1987, Wal-Mart started selling groceries, and it is now closing in on a stunning 10 percent share of grocery-chain sales.

Most food workers in this country are unionized, however. And with labor accounting for roughly 60 percent of most grocery companies' fixed costs, differences in pay scales can be deadly. Nearly a dozen regional grocery chains have folded in the last five years. The big players say they are going to have to match Wal-Mart on wages and benefits to survive. “When a competitor comes in, you have to mimic their operations, and you get reduced to the lowest common denominators,” an executive at a competing grocery chain said.

Jay Allen, a Wal-Mart spokesman, disputed that contention. “It defies logic that we attract that kind of work force, especially in a low-unemployment time, if we are not paying competitive wage and benefits.” Mr. Allen said.

More broadly, Wal-Mart argues that it has lifted the quality of life for thousands of employees by giving them access to stock options and by promoting aggressively from within.

The company also says it has made life better for middle-income Americans in general.

“We have, in fact, raised the standard of living for the working person,” Mr. Scott said. “Driving inflated profits out of doing business has been good for the person who works hard every day, and that will be our lasting impact.”