



How can leadership be exercised in a complex, interdependent world to foster high performance, adaption, and innovation? The case of Sam Walton

Module Code: BMBM6012

Module Name: Leading and Developing People

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Sam Walton was born in 1918 in Oklahoma, and in 1945 he finished his military service. He accumulated his initial retail operation and finally opened his own grocery shop called "5 & 10" in the commercial plaza during this stay in Arkansas (Bergdahl, 2010). Inspired by the success of his earlier grocery shops, Sam opened his first Wal-Mart shop in Arkansas in 1962 at the age of 44 (Biography, 2020). Sam believed that a company could succeed by offering affordable goods and quality service, something his competitors felt would never work. Walmart rapidly developed into a retail chain due to its distinct customer-centric model by bringing customers the most affordable groceries. Sam continuously introduced new retailing methods Sam's Club shops and Wal-Mart hypermarkets (Bergdahl, 2004). Under his leadership, Walmart has been the largest retail chain by annual revenue and geographical presence over the whole world. For Sam's success in his commitment to bring the most affordable groceries to customers, he was awarded the Presidential Medal of Freedom by President in 1992 (Bergdahl, 2010). ***"Outstanding leaders go out their way to boost the self-esteem of their personnel. If people believe in themselves, it is amazing what they can accomplish."*** was his maxim, and represents his primary philosophy in leading Walmart (Forbes, 2012).

VUCA, the managerial acronym for volatility, uncertainty, complexity, and ambiguity, has been widely perceived as the primary feature that describes the competitive environment facing all contemporary businesses, regardless of organizational sizes and business scopes (Bennett and Lemoine, 2014). The four dimensions under VUCA have been enhanced due to megatrends in the external environment, namely the increasing economic globalization, the continuous advances of relevant technologies, the outbreak of the financial crisis and

covid-19 pandemic, etc. (Mack *et al.*, 2015; Codreanu, 2016; Worley and Jules, 2020) Under the VUCA, organizations are being perceived as complex adaptive social systems (CAS) with employees as heterogeneous agents interact with others to evolve with the time and accommodate to the environmental shift (Marion, 1999). With organizations transforming from being a static system to a dynamic adaptive system, a different approach to leadership is of an urgent need to foster different sets of competitive advantages, such as innovation, adaptation, and high-performance, in the VUCA context (Segil, 2002). This is especially true for the retailing industry within which Walmart has operated. The present essay, thereby, will now attempt to discuss Sam's approach to leadership, as well as analyse the effectiveness of his leadership approach in inspiring innovation, adaption, and high-performance in the VUCA business environment.

Different definitions of leadership have led to different approaches to leadership conceptualisation, measurement, examination and critique (Burns, 2012). For example, some researchers explain the phenomenon of leadership solely from the perspective of the individual leader, while others develop an exploration from the perspective of relationships, groups or subordinates (Day, 2000; Ronald, 2014; Rosenbach, 2018). There are also researchers who focus on the traits and behaviours of leaders, or examine leadership and its effects from cognitive and emotional perspectives. The different perspectives developed in leadership research reflect the many plausible ways in which the concept of leadership can be conceptualised and can help to further the understanding of leadership in both its breadth and depth, and to develop different corresponding theoretical models of leadership on this

basis (Burns, 2012). Therefore, to understand the leadership style of Sam, different theoretical lenses will be exploited.

Authentic leadership refers to a leadership style that uses positive moral character and positive psychological competencies to promote self-growth in oneself and one's employees (Walumbwa *et al.*, 2008). There are three pillars of an authentic leader indicated by Beddoes-Jones and Swailes (2015), including self-awareness, ethics, and self-regulation. Specifically, self-awareness indicates the fact that the leader should be aware of its real strengths and weakness, be able to understand how he/she is perceived by others and to be empathetic towards others, and exert influences and impacts on others properly; ethics refers to the professional integrity, the core values, and beliefs such as honesty, openness, trust, fairness, and transparency, underpinning the leadership; self-regulation concerns about self-management through discipline, specifically the ability to be deliberately and actively control the behaviours and emotions, the ability to stay resilience under pressure (Beddoes-Jones and Swailes, 2015). In terms of ethics, the management philosophy of Sam can be described as:” ***let values guide our decisions, treat people with respect, put the customer first, strive for excellence and act with integrity***” (Walmart, 2019). Especially, the integrity in the business has not only been reflected in its way of treating customers by being the most trusted retailers but also in its way of leading and influencing its employees. Under the initiative of Sam, Walmart created Global Ethics and Compliance Programme in the last century and has been updating it continuously. Through improving transparency and accountability, Sam delivered the message to every employee in Walmart that ***“integrity is not negotiable in the operation”*** (Walmart, 2019). Major themes highlighted by Sam include

reducing corruption across Walmart at a global scale, prioritizing work safety through positions, as well as responsible sourcing for customers. In terms of self-regulation, Sam does not allow himself to suffer from mood swings, not to mention let mood swings influence his decision-making. Receiving military training at an early age and having years of experience before he founded Walmart, Sam was able to identify his emotions and channelize them into constructive and meaningful efforts to positively influence others (Bergdahl, 2010). When facing significant challenges, such as when Walmart went to IPO or suffered from price wars initiated by its competitors, Sam was able to remain calm and approachable by his employees through approaches such as regularly touching base, periodicals, Saturday management meetings, etc. (Kirkpatrick and Locke, 1991) Despite his success in this old life, he consistently acted as a role model for other employees, by continuous study and experimentation. Said Sam, "***I have always been driven to buck the system, to innovate, to take things beyond where they've been.***" (Forbes, 2012), and he proves it with his actions such as visiting a handful of stores every week, flying site to site to learn the latest business models of retailing (Walton and Huey, 1992). In terms of self-awareness, Sam was commended by Snyder, (2010) for his putting himself in others' shoes and looking at things from their perspective. Sam thought "***the key to success is to get out into the store and listen to what the associates have to say***" (Walton and Huey, 1992). Compared to most leaders who spend the majority of their time in the office focusing on numbers, Sam preferred to be on-site listening to the ideas of front-line employees and he welcomed any associate to contact him directly with any problems or ideas within the store and he would reply personally through letters (Bergdahl, 2010). Therefore, Sam has exhibited

the characteristics indicated in the three-pillar authentic model, and could be perceived as an authentic leader.

However, under an authentic perspective, leadership is more like a personality trait, with a bare focus on solving problems (Glover, Friedman and Jones, 2002). Especially under the VUCA context, there are more problems that cannot be solved by the existing knowledge and procedures but require new interactions and collaborations of leaders and employees (Useem, 2010). Adaptive leadership is denoted as the specific style that helps the organization to survive and thrive in the ever-changing environment through continuously adapting. Adaptive leadership encourages a cyclical, interactive relationship between leaders and employees (Heifetz *et al.*, 2009). Adaptive leaders see organizations as dynamic systems that make a mockery of positive change by developing the potential of their subordinates. The typical behaviours under adaptive leadership are getting on the balcony, identifying the adaptive challenge, regulating distress, maintaining disciplined attention, giving the work back to the people, protect the leadership voices from below (Heifetz *et al.*, 2009). Especially, the holding environment is perceived as a pressure cooker featured with adaptive challenges and pressures where employees can get engaged with one another in spite of divisive forces. Sam was less evident in this regard (Heifetz *et al.*, 2009). Sam believed employees are the most valuable asset of Walmart, and he genuinely cared about people (Walton and Huey, 1992). His simple and classic philosophy was ensuring that if he wants the people in Walmart to look after the customers, he must take care of the people in the store. His way of taking care of employees was to create a relaxing, safe, trusted, home-feeling, less-pressured workplace for employees, rather than holding an environment with

some adaptive pressure. The saying of "**Loosen up, and everybody around you will loosen up** " could be commonly heard by people around him, as him wants his employees to fully loosen up and enjoy the work (Bergdahl, 2010). The above fact justifies Sam not as an adaptive leader as he does not prefer or create a holding environment for Walmart's employees.

Transformational leadership, which intrinsically motivates subordinates and thus enables employees to self-monitor and self-manage, stimulates individual creativity and organizational change (Diaz-Saenz, 2011). Bass and Riggio (2006) argues that transformational leadership behaviour consists of four dimensions, namely idealized influence, inspiration, intellectual stimulation, and personalized care. The self-regulation and self-awareness discussed above resulted in the massive and profound idealized influence of Sam in Walmart till now. The inspirational motivation aspects can be well illustrated through his charisma and visionary leadership by respecting individuals, caring for people, advocating that "*our people make the difference*" and helping followers reach their maximum potential to achieve personal and corporate success (Bergdahl, 2010). Sam exploited a wide spectrum of incentive plans and compensation packages to appreciate employees' contributions. In his interaction with employees, he usually sincerely praised his employees for their contribution to Walmart (Krieg, 2014). According to Sam, "**Nothing else can quite substitute for a few well-chosen, well-timed, sincere words of praise. They're absolutely free and worth a fortune.**" (Walton and Huey, 1992) Also, Sam has been appraised for his individualized consideration. By perceiving employees as the most valuable and irreplaceable assets, Sam placed workplace safety as the top agenda in routine management, and highlight the

importance of work-life balance when the concept was not quite prevalent at that time (Bergdahl, 2010). The direct communication between Sam and employees across positions and divisions through periodicals, meetings, and letters allows it to voice against the problems concerning the employees most, and act on the ideas contributed by the employees (Krieg, 2014). In terms of intellectual stimulation, Sam provided a wide spectrum of training and development programs within Walmart to encourage employees to enlarge their career scope (Bergdahl, 2010). By acting as a role model of innovation, he also encourages employees to use different ways to perceive, approach, and solve problems in a creative and innovative way. Quotes such as, ***“There’s absolutely no limit to what plain, ordinary, working people can accomplish if they’re given the opportunity and encouragement to do their best.” “You can’t just keep doing what works one time, everything around you is changing. To succeed, stay out in front of change.”, and “To succeed in this world, you have to change all the time”*** well illustrate his efforts in inspiring intelligence (Blumenthal, 2011; Krieg, 2014). Therefore, Sam has been widely perceived as a transformational leader. As indicated above, the conceptualization of leadership has been featured with a high level of complexity and fragmentation. Authentic leadership focus on the inherent characteristics of leaders, and transformation leadership focuses on the relationships between leaders and followers. It is not mutually exclusive for Sam to be an authentic leader and the transformational leader at the same time. Alternatively, the characteristics of Sam as an authentic leader actually make him a more eligible and more effective transformational leader (Walumbwa *et al.*, 2008; Tonkin, 2013; Hoch *et al.*, 2018).

Transformational leaders are better at using organisational vision to motivate, enhance communication between teams, and are willing to recognise creative thinking to enhance team initiative. At the same time, team members adjust their psychological state by imitating the behaviour of charismatic leaders and show hope and optimism (Bass and Riggio, 2006). Transformational leadership behaviour has a positive effect on the development of emotional intelligence of their own and of team members by expressing expectations of team performance and how to achieve them, thereby fostering positive attitudes among employees and resilience and optimism in the face of adversity (Lopez-Zafra, Garcia-Retamero and Martos, 2012). Informing employees of an attractive vision of the future is an important function of transformational leadership. The three-pillar of authentic leadership features exhibited by Sam indicates its high level of emotional intelligence. By creating a shared vision of the future, transformational leaders such as Sam enhance social capital of the leader and within the team by creating a relationship between leaders and employees that is not simply based on an exchange of benefits, and by inspiring team members to focus on collective interests and goals rather than their own needs and interests (Bass and Riggio, 2006). A shared vision not only helps to integrate the various resources of the different participants in Walmart, but also facilitates the development of connections and communication and trusting relationships between employees, effectively reducing the cost of coordination in the collaboration process and contributing to a culture of easy communication and collaboration (Rijal, 2016). This culture of communication and collaboration in turn positively influences organisational performance. VUCA time calls for transformational leaders like Sam with a knack for addressing complex business problems. Enabled by transformational leadership,

organizations are more apt for a novel agile learning practice that allows them to pay attention to subtle clues both in businesses. The openness to learning is accompanied by the spirit of challenging the status quo, and resilience in the face of difficulty, which in turn leads to higher level of innovation and adaption.

Therefore, the inherent advantages of transformational leadership in inspiring followers in different aspects, as well as the positive moderating effects of transformational leadership in emotional intelligence, social intelligence, and learning ability make it a leadership style well suited for the VUCA environment. Compared to other leadership styles, such as authentic leadership focus on the sole on leaders, and adaptive leadership focus on structures transformational leadership exhibits higher agility to navigate through the VUCA landscape (Dhir, 2016). With its focus on organic structure, open communication, innovation stimulation, and learning foster. Sam's leadership style not only allow Walmart to reshape the retailing industry, but the following leaders of Walmart has also maintained the transformational leadership of Sam and enables Walmart to sustain its competitive advantage and accommodate the rapidly changing retail landscape caused by megatrends such as globalization and digitalization, making Walmart the most successful and biggest company over the whole world. For instance, during the headwinds of the covid-19 pandemic, Walmart appreciates every employee who will on their position to deliver discounted groceries to people in need even under the global supply chain disruption, and Walmart inspires employees to come up with various innovative ideas to enhance conveniences and safety to deliver the services (Walmart, 2022). Under this context, Walmart marked a 6.72% increase in revenues and reported innovations such as curbside pick-up offering, in-store robots, etc.

(Walmart, 2022) It is expected that in the future increasingly VUCA environment, Walmart is able to deliver high performance, continuous innovation, and resilient adaptation continuously with the profound benefits of its transformational leadership.

It is an era that the business landscape that is featured for being VUCA. A failure to accommodate will leave many organizations behind. Leaders play an ever-essential role here in directing the whole organization into the right orientation through innovation, adaptation, and performance. The paper uses the leader of Walmart- Sam Walton as a case to investigate which leadership style is more appropriate under the VUCA environment. The essay uses three models to assess Sam's leadership style, respectively authentic, adaptive, and transformational and concludes that Sam is an authentic and transformational leader. As authentic and transformational leadership discusses and describes leadership from two different perspectives, there are not mutually exclusive. The fact that Sam is an authentic leader actually helps him to more effectively navigate his role as a transformational leader. The essay also indicates that transformational leadership is positively associated with emotional intelligence, social intelligence and learning agility, and thereby affords superior innovation, adaptation, and performance which are all perceived as significant sources of competitive advantage in a VUCA environment. The implications drawn from Sam can be considered by other leaders leading organizations in the VUCA environment.

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