



How Not to Expand¹

The story of Wal-Mart in Germany from three separate articles

1. Labour of Love in the German Workplace

A court in Germany has upheld the right of the nation's citizens to flirt at work. The ruling comes in response to US supermarket chain Wal-Mart's company policy banning any sign of attraction between its workers.

A court in the city of Düsseldorf ruled that the German subsidiary of the world's largest retailer, Wal-Mart, was acting outside the law in trying to impose restrictions on the nature of relationships allowed between its employees.

The court said that while such regulations might be acceptable and indeed common practice in the US, they are neither compatible with German labour law nor the personal rights of employees.

Wal-Mart introduced a code of ethical conduct earlier in the year. It prohibits company employees from dating or falling in love with a colleague in a position of influence, and from exchanging lustful glances or flirting in any way.

In its 28-page code, the discount chain, requests that its workers report anyone observed to be breaking the rules, via a special telephone hotline. Failure to comply with the rules can lead to the termination of an employment contract.

The ruling means that the 10,500 employees can get on with flirtation as usual without worrying about being stabbed in the back by officious colleagues.

Employee protection

Gregor Sobotta, personnel manager at Wal-Mart Germany, said the company's policy has been misunderstood.

"The measures were intended to protect our employees against exertion of influence, corruption or sexual harassment in the workplace," he said, adding that no employee should be disadvantaged on the grounds of a love match with a superior, and said that the company would deal with such situations by simply moving one of the workers concerned to a different department.

In defense of the hotline, to which the workers' council has voiced opposition, the head of personnel moved to assure employees that it is totally anonymous. He said nobody would

be professionally disadvantaged as a result of using the hotline, adding that "every accusation is closely examined."

2. Wal-Mart Slammed at Berlinale

When it comes to Germans and the world's largest supermarket, Wal-Mart, there's little love lost. No surprise then that a new film exposing the work ethics of the US retail giant, is such a hit at this year's Berlinale.

The documentary, "Wal-Mart: The High Cost of Low Price" is a foray into the shocking reality of cost-cutting retail management, into a world where employee rights play second fiddle to just about everything, particularly the deadly serious issue of making money.

Director and producer, Robert Greenwald, who was motivated to make the film after his Wal-Mart employee neighbour revealed that the company would not offer him affordable health insurance, presents a cast of former and current workers who collectively paint a realistic picture of the retail rogue trader.

One of Greenwald's protagonists, a young single mother of two, says that when she first started her six-year stint at Wal-Mart, she really believed in the company. But that belief turned to disbelief when she discovered that male workers with less experience were being paid more than her. And that was not all. She was forced to perform dangerous work when seven months pregnant, and hassled by management for taking leave of absence to nurse her dying parents.

Dirty business

Another former employee who features in the film tells of the unscrupulous code of conduct he was expected to comply with during his time as a Wal-Mart manager. From shaving hours off employee's time cards to paying off town councils which planned to block plans for new stores, Weldon Nicholson tells Greenwald "there's so much wrong with this company, I wouldn't even know where to begin."

Low wages mean low prices

¹ Compiled from articles from Deutsche Welle online from 2005 to 2007. Compiled April 12, 2007

Although the film director managed to assemble a diverse cast of people who have endured the worst of the supermarket giant, the hunt for characters was not without its difficulties. "We found heartbreaking stories from people who worked at Wal-Mart, but many of them were just too frightened to appear on camera," he said in a written introduction to the film. "We found businesses run out of the country, with CEOs who were terrified of talking with us on or off camera because of retaliation by Wal-Mart."

Before going public with the project, Greenwald appealed to the supermarket chain managers not to fire any current employees on the basis of their appearances in the documentary. His request was refused. He also invited management to have their say in his movie. Again they refused.

3. World's Biggest Retailer Wal-Mart Closes Up Shop in Germany

Wal-Mart gave it a go in Germany, but misread the market. Wal-Mart moved into Germany in 1998, hoping to repeat its phenomenal US success in Europe's biggest economy.

It didn't turn out that way. From the beginning, Wal-Mart found its American approach to business did not quite translate into German.

"As we focus our efforts on where we can have the greatest impact on our growth and return on investment strategies, it has become increasingly clear that in Germany's business environment, it would be difficult for us to obtain the scale and results we desire," Michael Duke, a vice chairman of Wal-Mart, said in a statement.

The Wal-Mart retreat from Germany is expected to cost it about \$1 billion (794 million euros).

Under the deal, Metro, which is one of Germany's largest retail groups, said it planned to fold the 85 stores into its Real chain. The deal still needs the approval of anti-trust authorities. Financial details were not disclosed.

US Model not effective here

Andreas Knorr and Andreas Arndt of the University of Bremen didn't mince words in their study called "Why did Wal-Mart Fail in Germany?"

The authors wrote: "Wal-Mart's attempt to apply the company's proven US success formula in an unmodified manner to the German market turned out to be nothing short of a fiasco."

One example of that might be that Wal-Mart's American managers pressured German executives to enforce American-style management practices in the workplace. Employees were forbidden, for instance, from dating colleagues in positions of influence. Workers were also told not to flirt with one another.

A German court ruled last year against the company's attempt to introduce a telephone hotline for employees to inform on their colleagues.

High labour costs may have been a big hurdle for Wal-Mart Germany, as well as workers who tried to resist management's demands which they felt were unjust.

One Wal-Mart employee told the newsmagazine Der Spiegel that management had threatened to close certain stores if staff did not agree to work to working longer hours than their contracts foresaw and did not permit video surveillance of their work.

Wal-Mart Germany has had several run-ins with the trade union ver.di, which represents retail store workers.

Understanding the locals

Besides running up against German labour law and tradition, analysts say Wal-Mart also misfired when it came to knowing the market they were attempting to crack. American styles don't always translate well.

"We made mistakes," said Wal-Mart Germany's CEO David Wild in a recent interview with the *Welt am Sonntag* newspaper. "Many of our (product) buyers in Germany were Americans. Some real goof-ups occurred as a result."

"Like, did you know that American pillowcases are a different size than German ones are?" he asked. Wal-Mart Germany ended up with a huge pile of pillowcases they couldn't sell to German customers.

Some German Wal-Mart shoppers didn't like having their purchases bagged by others.

"If you want to be successful in a foreign market, you have to know what your customers want. That's the most important lesson," Wild said, who is from England. "It does not good to force a business model onto another country's market just because it works well somewhere else."

Analysts said Wal-Mart Germany's difficulty lay largely in the numbers, with 85 stores not enough to give the brand a foothold in the German market. Merck Finck and Co. bankers said the chain had "limited critical mass, insufficient square meter productivity and a too aggressive pricing policy."

Wal-Mart introduced its stores in Germany eight years ago when it took over the Wertkauf and Interspar supermarket chains. Until now, the company has employed 11,000 employees in Germany. Wal-Mart said its German locations had sales of more two billion euros (\$2.55 billion) last year.

Wal-Mart currently has around 6,500 stores world-wide and employs more than 1.8 million people. It announced global sales of over 263 billion euros (\$331 billion).