Wal-Mart is FORTUNE's most admired company, marking the first time the world's biggest corporation is also its most respected. You might say that Wal-Mart finally belongs in corporate America. More accurately, you could say corporate America belongs to Wal-Mart. What this means for Wal-Mart's low-profile CEO, Lee Scott, is that he runs what is arguably the world's most powerful company. What it means for corporate America is a bit more bracing. It means, for one, that Wal-Mart is not just Disney's biggest customer but also Procter & Gamble's and Kraft's and Revlon's and Gillette's and Campbell Soup's and RJR's and on down the list of America's famous branded manufacturers. It means, further, that the nation's biggest seller of DVDs is also its biggest seller of groceries, toys, guns, diamonds, CDs, apparel, dog food, detergent, jewelry, sporting goods, videogames, socks, bedding, and toothpaste. It means, finally, that the real market clout in many industries no longer resides in Hollywood or Cincinnati or New York City, but in the hills of northwestern Arkansas.

Full Text (4679 words)

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[Headnote]
How retailing's superpower-and our biggest Most Admired company-is changing the rules for corporate America.

Bentonville, Ark., does not come to the world. The world comes to Bentonville. Whether you're a media mogul or a toy tycoon or King Tut, you drive your rent-a-car north on Walton Boulevard, past Smokin' Joe's Ribhouse and the Lube N' Go, and into one of the parking spots marked SUPPLIER. Don't expect a welcoming party. You make your way into a packed waiting room that reminds you of the Department of Motor Vehicles and have a seat. Thirsty from your trip? Coke machine in the back. Coffee? Ten cents in the box, please. Change machine over there if you need it.
The young buyer who emerges to greet you has a paycheck that's far smaller than yours, a name that's far less celebrated, and a budget of about $1 billion. He ushers you into a seven-by-ten-foot blue roomlet—one fluorescent light, one table, one photo of Mr. Sam. So, says the buyer in his unfailingly polite manner, how can Disney help Wal-Mart?

If you are an executive from Walt Disney, you've been here before. Your company sells movies, Pooh merchandise, and many other items to Wal-Mart. But when the buyer wonders whether Disney could make a short video involving Wal-Mart and a Disney character—you know, something to get the store associates fired up or perhaps to play on Wal-Mart's in-store TV network—you have to say no: Disney characters aren't allowed to be so crassly commercial. Well, that's okay. Jeffrey Katzenberg was down here, and his team at DreamWorks made the nicest video of Shrek doing the Wal-Mart cheer...

Not only was the Shrek video a huge hit, but Katzenberg has spent more time around Bentonville than anyone might suspect. "I've been there three times in the last 45 days," he confirmed recently. "I cannot tell you how much I respect and love the bare-essentials efficiency... I'm flattered by the opportunity they've offered." If this strikes you as unconvincing, you haven't seen Katzenberg do the Wal-Mart cheer.

That an important studio boss like Katzenberg would answer calls of "Give me a W." with fist raised might generate snickers among his peers. But nobody was laughing in 2001 when Wal-Mart—its stores bristling with displays of the green ogre-helped turn Shrek into the year's bestselling DVD. "Jeffrey figured out something his competitors didn't," says Warren Lieberfarb, the former Warner Home Video chief, who is known as the father of DVD. "Wal-Mart is the largest single revenue generator for Hollywood in the world."

And so, you see, there are two types of executives these days: those who have learned to play by Wal-Mart's rules, and those who still haven't learned the right answer to the cheer's closing question: "Who's No. 1?"

"The customer! Always! Whoomp!!!"

FOR MOST OF WAL-MART'S 41 YEARS, CORPORATE AMERICA refused to acknowledge the retailer as one of its own. WalMart was Podunk, U.S.A., Jed Clampett, Uncle Jesse's pickup—and worse yet, a discount store. This year its transfiguration is complete. Wal-Mart is FORTUNE's most admired company, marking the first time the world's biggest corporation—yes, it replaced Exxon Mobil atop the FORTUNE 500 last year—is also its most respected. You might say that Wal-Mart finally belongs in corporate America. More accurately, you could say corporate America belongs to Wal-Mart.

To understand this astonishing development, you need to grasp the difference between a big company—what WalMart was at the time of Sam Walton's death in 1992, when it was about one-fifth its present size—and a company that has created a whole new definition of bigness. If conventional metrics, like Wal-Mart's $240 billion-plus in sales or its 1.3 million "associates," don't do the trick, these may help:

* Wal-Mart's sales on one day last fall $1.42 billion were larger than the GDPs of 36 countries.

* It is the biggest employer in 21 states, with more people in uniform than the US. Army.

* It plans to grow this year by the equivalent of—take your pick—one Dow Chemical, one PepsiCo, one Microsoft, or one Lockheed Martin.

* If the estimated $2 billion it loses through theft each year were incorporated as a business, it would rank No. 694 on the FORTUNE 1,000.

What this means for Wal-Mart's lowprofile CEO, Lee Scott, is that he runs what is arguably the world's most powerful company. What it means for corporate America is a bit more bracing. It means, for one, that Wal-Mart is not just Disney's biggest customer but also Procter & Gamble's and Kraft's and Revlon's and Gillette's and Campbell Soup's and RJR's and on down the list of America's famous branded manufacturers. It means, further, that the nation's biggest seller of DVDs is also its biggest seller of groceries, toys, guns, diamonds, CDs, apparel, dog food, detergent, jewelry, sporting goods, videogames, socks, bedding, and toothpaste—not to mention its biggest film developer, optician, private truck-fleet operator, energy consumer, and real estate developer. It means, finally, that the real market clout in many industries no longer resides in Hollywood or Cincinnati or New York City,
but in the hills of northwestern Arkansas.

If this sounds fanciful, then you haven't visited Newell Rubbermaid's new Bentonville office, just a 60-second drive from Wal-Mart headquarters. One of 200 corporate embassies here that form a ring known as "Vendorville," it's home to the 50 members of Newell's Wal-Mart Division. "Everything in here is like Wal-Mart," says one manager, and he means it literally. The carpets mirror those in Wal-Mart headquarters. Same with the cheap cubicles. The first floor has an "exact replica of a Wal-Mart store" showing the placement of Newell glassware, Sharpie pens, trash cans, Levelor blinds, and so forth. Upstairs, Sam Walton's image and aphorisms hang on the walls, while even the Gregorian calendar has given way to "Wal-Mart time". Week 9 is understood to mean nine weeks into the company's fiscal year, starting Feb. 1. "You need to be your customer," explains my host.

Newell's reasoning comes down to one number: 15, the percentage of its merchandise that passes through Wal-Mart cash registers. That number helps explain why Newell CEO Joe Galli spends four weeks a year touring Wal-Mart stores, and why Newell seldom designs or launches a new product without Wal-Mart's involvement, and why division president Steven Scheyer gives every new employee a copy of Sam Walton's autobiography. (It also helps explain why there are no direct flights from New York City to Little Rock, but you can catch one of American Airlines' two daily nonstops from LaGuardia to Bentonville.) "We live and breathe with these guys," says Scheyer. "People are focusing on 'What's the right Sharpie for WalMart, what's the right closet product for WalMart, what's the right stroller?' "Little wonder that Stockholm Syndrome-the phenomenon in which hostages come to identify with their captors-has been a problem for some companies. "At first there's resistance, then they break down, then they go to the other side," says Steve Cleere, a consultant at Trade--Marketing. "They're thinking like Wal-Mart people instead of brand people, and they need to be rotated out."

How Wal-Mart thinks has never been a big mystery: Buy stuff at the lowest cost possible, pass the gains on to the consumer through superlow prices, watch stuff fly off the shelves at insane velocity. (Critics who say Wal-Mart is obsessed with its bottom line have one thing wrong: Wal-Mart is obsessed with its top line, which it grows by focusing on the consumer's bottom line.) Suppliers are expected to offer their best price, period. "It's not even negotiated anymore," says Paul Kelly of Silvermine, a consulting company that helps manufacturers sell to big retailers. "No one would dare come in with a half-ass price." As for a supplier raising prices, good luck: In some cases Wal-Mart has been known simply to keep sending payment for the old amount. "The days of the price increase," Joe Galli has told his troops, "are over."

By systematically wresting "pricing power" from the manufacturer and handing it to the consumer, Wal-Mart has begun to generate an economy-wide Wal-Mart Effect. Economists now credit the company's Everyday Low Prices with contributing to Everyday Low Inflation, meaning that all Americans-even members of WhirlMart, a "ritual resistance" group that silently pushes empty carts through superstores-unknowingly benefit from the retailer's clout. A 2002 McKinsey study, moreover, found that more than one-eighth of US. productivity growth between 1995 and 1999 could be explained "by only two syllables: Wal-Mart." "You add it all up," says Warren Buffett, "and they have contributed to the financial wellbeing of the American public more than any institution I can think of." His own back-of-the-envelope calculation: $10 billion a year.

That, mind you, is Wal-Mart today. "As Wal-Mart grows," writes consultant Ira Kalish of Retail Forward, "it will transform its competitors, its suppliers, and the industries it dominates." In apparel, for instance, Wal-Mart is moving from staples into cheap-chic fashion, exemplified by its new George line, which offers career basics like skirts and blazers priced between $8.87 and $28.96. That in turn is pressuring everyone from Bloomingdale's to Banana Republic to compete on price as well as image. "Wal-Mart has caused the fashion industry to go topsy-turvy," says Marshal Cohen, co-president of NPDfashionworld.

In Hollywood, Wal-Mart's push for cheap DVDs (as low as $5.88) has exacerbated a schism between studios like Universal, which don't want to cannibalize the lucrative rental business, and those like Warner, which are pushing a high-volume, low-margin approach. Caught perilously in the middle is Viacom's Blockbuster. "We don't plan to participate in the below-cost DVD madness," says CEO John Antioco.

Convenience stores, meanwhile, are threatened by the 700 gas stations now in Wal-Mart parking lots, causing petroleum sellers to lobby vigorously for protective legislation. "We are seeing margins on fuel that we haven't seen this low in a decade or more," says Jeff Lenard, a spokesman for the National Association of Convenience Stores.

The battle of the brands, too, is increasingly played out on WalMart turf. In batteries, perennial third-place Rayovac has used a low-cost "Wal-Mart uber Alles" strategy to challenge Energizer and Gillette's Duracell. Tattered Levi
Walton scripture—and it's easy to get the impression that the founder is orchestrating his creation from beyond. The
Sam Walton. Spend enough time inside the company—where nothing backs up a point better than a quotation from
IT IS AN ODD FACT THAT THE public face of Wal-Mart continues, after all these years, to be the folksy visage of
Sam, everyone's position in the world will largely be defined in relation to Mr. Sam. Is your company a "strategic
competitor" like China or a "partner" like Britain? Is it a client state like Israel or a supplier to the opposition like
Yemen? Is it France, benefiting from the superpower's reach while complaining the whole time? Or is it ... well, a
Target? You can admire the superpower or resent it or—most likely—both. But you can't ignore it.

Yet the best way to understand Wal-Mart is to talk to people like Shelly Chandler. Daughter of a Marine colonel,
she started out sorting invoices for $4.65 an hour. As a $50,000-a-year apparel buyer in the mid-1990s, she
controlled a budget of $1 billion. "Tough as I am—thank you, Sam—I got good deals," recalls Chandler, who still
speaks of the company as "we" despite having left in 1996, when her child fell ill. "Sam taught us to be tough but
fair. That's what makes Wal-Mart go round and round and round." Pressed on how it felt to control a thousand
million dollars, Chandler paused. "I had the biggest pencil in the United States of America," she said, "and if
someone didn't do what fit with our program, I could break my pencil, throw it on the table, and never come back."

EARLY POWER RETAILERS LIKE SEARS AND A&P STARTED out with the upper hand. A 1930 FORTUNE
article noted that "A&P's terms become, practically, Economic Law." (The magazine also marveled that "if every
person in New York City were a hen laying regularly, there would not be enough eggs to fill the A&P demand.") It
was the coming of television, plus laws that prevented stores from selling products below their listed price, that
shifted the advantage to mass-marketers like P&G, Coke, and Revlon (which not only sponsored but owned the
top-rated '50s TV show The $64,000 Question). "What Wal-Mart has done," says Harvard's Tedlow, "is turn that on
its head again. The store has a helluva lot of power."

How Wal-Mart chooses to wield this power is today's $244 Billion Question. Many assume that the company uses it
cruelly, cracking suppliers' heads and stealing their lunch money. But if that were the case, you'd expect to see
manufacturers' margins shrinking. And? According to Value Line, operating margins of household product makers
actually grew 48% between 1992 and 2001; food processors' went up 30%; soft drink makers' rose 14%. Though
horror stories do circulate (some entrepreneurs have accused Wal-Mart of knocking off their product proposals),
Wal-Mart also towered as the "best retailer with which to do business" in a Cannondale Associates survey of 122
manufacturers. "I think most would say that Wal-Mart is their most profitable account," says Silvermine's Paul Kelly.

How can that be? It begins to make sense if you consider the byzantine demands that most retailers impose on
suppliers. Slotting fees. Display fees. Damage allowances. Handling charges. Late penalties. Special sales and
rebates. Super Bowl tickets. Each is a small inefficiency that benefits the retailer at the supplier's expense and,
ultimately—since the supplier builds those costs into its prices—the customer's. Wal-Mart, by contrast, is famous for
boiling everything down to a one-number negotiation. "It's very pure," says Newell Rubbermaid's Scheyer. "All the
funny money—1% for this, 2% for that, 'I need a rebate ... I need a special fund for our annual golf event'—it isn't
there. They'll negotiate hard to get the extra penny, but they'll pass it along to the customer."

While this part of the negotiation is strictly arm's-length (figuratively anyway, given the cubby-like dimensions of the
blue rooms), Wal-Mart also operates in "partnering" mode, in which both sides swap information to streamline the
flow of goods from raw materials to checkout counter. "They would rather extract fat from the process than extract
their suppliers' profits," explains Ananth Raman, a Harvard Business School professor who studies supply chains.
So while Newell Rubbermaid's "We (heart) Wal-Mart" strategy can seem the ultimate in corporate vassalage,
consider what Newell gets out of the deal: not only huge volume but, thanks to Everyday Low Prices, predictable
volume, which lets it keep its factories running full and steady. There are no advertising costs, no "funny money."
And Wal-Mart will even back up its trucks to Newell's factories. Many suppliers, including P&G, like the model so
much that they've pushed it on their other customers.
There's more. Newell gets product ideas from Wal-Mart. Hundreds of them. A store associate in Arizona mentions that Hispanic customers are looking for a kind of cookware called a caldero. Done. The hardware department sees an opportunity for "light industrial" cleaning products. Time to market: 90 days. Shoppers, in effect, get direct control of the nation's manufacturing facilities-- reason to see Wal-Mart as the world's most finely articulated tool for turning customer wants into reality. A win-win-win.

Playing this game, however, requires constant hustle. Besides continually cutting your costs, you need to handle all that data pouring off RetailLink-the system that lets suppliers track their wares through Wal-Mart World-since you wouldn't want to annoy WalMart with excess inventory or, worse yet, not enough. An electronic "vendor scorecard" will let you know how you're doing.

In the meantime, you should also be peppering Wal-Mart with "retail-tainment" ideas about how to make its stores more fun. If you're the maker of Power Rangers, that means creating the world's largest inflatable structure-a 5,000-square-foot moon -for a tour of Wal-Mart parking lots. If you're Coke, it means routing your L.A.-to-Atlanta Olympic Torch Run past every WalMart possible. You may be "encouraged" to buy time on the instore TV network. And should you enjoy the privileged position of "category manager," you'll be expected to educate Wal-Mart on everything happening in the jelly or lingerie or Hulk Hands markets. Above all, you'd better start thinking like a retailer. "If you're focused on your shipments, you're screwed," says Dennis Bruce, a vice president with Newell Rubbermaid's Bentonville team. "You gotta be worried about what's moving through the registers."

"Vendor offenders," as some Wal-Marters jokingly call them, don't last long. "People think they're wired in at the top of the company, but the relationship in itself means nothing if you don't perform," says Newell's Scheyer, whose father sold to Sam Walton in the 1960s.

Then, too, Bentonville isn't above dropping the occasional bomb. Procter & Gamble's storied partnership with Wal-Mart began on a 1987 canoe trip when Walton and a P&G boss agreed to start sharing information instead of hoarding it. Yet there was little warning when, in 2001, Wal-Mart unveiled its Sam's American Choice detergent at roughly half the price of P&G's family jewel, Tide. (The move "in no way strains our relationship," a P&G spokeswoman said at the time. Uh-huh. And we have no problem with a McDonald's* brand FORTUNE.) Now there are rumors-which Wal-Mart does not confirm-that the retailer is planning to introduce a second, even cheaper detergent under its Great Value label. "I'm not sure [P&G] didn't pay way too high a price to achieve that partnership," says TradeMarketing's Cleere. "They taught Wal-Mart about the laundry business."

Tide still commands about four times the shelf space of Sam's Choice, and Tom Coughlin, chief of Wal-Mart's US. stores, says manufacturers' brands will remain the company's cornerstone. But Wal-Mart's private-label assault has turned even its most trusted suppliers into its competitors. With little fanfare and no advertising, Wal-Mart's Ol' Roy dog food (named for Sam Walton's English Setter: 1970-81) has charged past Nestle's Purina as the world's top-selling brand. Great Value bleach outsells Clorox in some stores.

That raises a tricky question: What, exactly, is the brand here? As Wal-Mart flexes its muscle as a marketer and not just a merchandiser, it could accelerate the demise of weaker brands. Even P&G has refocused on just 12 powerhouses, like Crest and Pampers. Now manufacturers worry about losing their direct connection to the consumer. Two decades ago 65% of their ad budgets went to television and other mass media, while today 60% go to retailers for in-store promotions and the like. The worry, as a Forrester report predicts, is that "WalMart will become the next Procter & Gamble." The nightmare: Wal-Mart becomes your company's new VP of marketing.

IF THE TRIP ON GULLIVER'S COATTAILS IS NO JOYRIDE, IT sure beats being a Lilliputian underfoot. Over the years Wal-Mart has thundreed its way up the retail food chain, first flattening mom-and-pop stores, then stepping on discounters like Ames, Bradlees, and Kmart, and finally sitting on specialty retailers like Toys "R" Us-threatening, in effect, to kill the category killer. Now no category seems safe.

Just ask your grocer. The quintessentially low-margin business had benefited from a decade of consolidation and cost cutting by giants like Kroger and Albertsons. Yet most of the gains dropped to the companies' bottom lines, not the consumers'. Now, feasting on fat margins in the presence of Wal-Mart is a bit like tucking into a juicy sirloin in the presence of a grizzly: Your dinner won't be there for long, and unless you start running, neither will you. Only ten years after launching its food business amid much guffawing, WalMart is the world's biggest grocer, driving down prices an average of 13% in the markets it enters, according to a UBS Warburg study. The effect has been seismic: Kroger has gone on a cost-cutting drive to narrow the price gap, Albertsons has abandoned some markets entirely, and an army of consultants now advise grocers on how to grapple with the 800-pound gorilla. When Wal-
Mart moves, it adheres to the Powell doctrine of overwhelming force.

Now imagine you're a Wal-Mart strategic planner on the prowl for other high-value targets. Where else are middlemen taking fat profits and stiffing consumers? Did someone say used cars? Of course! The last castle of medieval retailing. Visit the parking lots of several Houston Supercenters, and you'll find a dealer quietly testing a no-haggle approach under the name Price 1.

What else? Well, what about Microsoft? Its margins are—can this be right?—44%, and it's sitting on $38 billion in cash. Mr. Sam would not approve. Log on to walmart.com and you'll find $199 computers powered by a fledgling Windows competitor, Lindows.

Financial services! Regulators have twice thwarted WalMart's attempts to buy a bank, but hey, you don't need a bank to offer wire transfers and money orders. And get this: Western Union charges $50 to wire $1,000 from Texas to Mexico. How about a flat $12.95 instead, and 46-cent money orders instead of the 90 cents charged by the U.S. Postal Service? Available at a store near you.

Wal-Mart vacations. Internet access. Flower delivery. Online DVD rentals A la Netflix. All happening.

Wal-Mart stresses that many of these experiments are just that: experiments. But the company has long excelled at using itself as a testing lab, tweaking and refining a concept until—boom!—it's everywhere. That's why even the looniest speculation—Wal-Marts partners with a Korean auto company to make a private-label car, WalMart acquires a drug chain, Wal-Mart becomes a wholesaler to other merchants—can't be dismissed. Just because you're paranoid doesn't mean Bentonville isn't out to get you.

Wal-Mart's zero-to-60 engine is driven by three powerful cylinders: scale, scope, and speed. The scale part is obvious. The scope part allows Wal-Mart to "flex" its toy section before the holidays and collapse it afterward, while Toys "R" Us is stuck selling toys year-round. (Scope also lets Wal-Mart use entire categories—gas, soft drinks, whatever—as loss leaders to pull people into the stores.) The speed part may be the most intimidating. Wal-Mart's turnover is so rapid that 70% of its merchandise is rung up at the register before the company has paid for it. Speed is why it routes ships from China through the Suez Canal and across the Atlantic, so that exactly 50% of imports end up on each coast—more expensive in the short run, but faster in the long. And while the interior of a Wal-Mart distribution center evokes the final scene of Raiders of the Lost Ark—42-foot-high corridors of toilet paper stretching toward a vanishing point—many items never hit the warehouse floor, moving directly from truck to truck along 24 miles of conveyor belts.

That leaves competitors with two options (surrender not one of them; Bentonville doesn't do acquisitions). Option No. 1 is to play Wal-Mart's game. Very risky. In the mid-1990s, Kmart proved it to be ritual suicide. On the other hand, companies already steeped in discounting—Costco, Family Dollar, grocery chain Publix—have more than held their own against Goliath. Option No. 1 should thus carry the warning found atop black-diamond ski runs:

EXPERTS ONLY.

Option No. 2: Don't play Wal-Mart's game. Typically a better choice. Grocery folks regularly tromp through H-E-B, a Texas grocery chain that's held Wal-Mart at bay with such "destination products" as ice cream made from Poteet strawberries, a local favorite that H-E-B freezes in vast quantities. Not surprisingly, Wal-Mart is already thinking along similar lines, mining its mountains of data to tailor individual stores to local tastes.

The question on everyone's mind, of course, is, How much more dominant can Wal-Mart get? More than 70 million people already roam its aisles each week. Its trucks are trained to avoid deluded motorists who dream of a collision and a Wal-Mart-sized settlement. The U.S. Mint chose Wal-Mart, not banks, to introduce its Sacagawea gold dollar in 2000. Target had difficulty finding American flags on Sept. 12, 2001, because guess who had begun buying every flag it could the previous day. Hegemony, it would seem, doesn't get any more complete.

Yet a bit of fifth-grade math produces a startling result: If WalMart maintains its annual growth rate of 15%, it will be twice as big in five years. "Could we be two times larger?" asks CEO Lee Scott. "Sure. Could we be three times larger? I think so."

Crazy talk? Maybe not. Roughly half of Wal-Mart's Supercenters (groceries plus general merchandise) are in the 11 states of the Old South, leaving plenty of room for expansion in California and the Northeast. And Bentonville is
getting creative about overcoming the political and real estate hurdles there. In January it opened its first inner-city Supercenter in the Baldwin Hills neighborhood of Los Angeles, a three-story affair with special escalators for shopping carts. All told, Wal-Mart will open roughly a store a day this year.

As it expands outward, it's also filling in the gaps. "We've found that a smaller population than what we originally had thought can support a Supercenter," says Scott. "So you can put two Supercenters-Rogers (Ark.) and Fayetteville-roughly four miles apart. Same thing is true in Dallas, Houston, Atlanta." Within those four miles WalMart is building new Neighborhood Markets, or "Small-Marts": smartly designed food/drug combos with conveniences like self-checkout, honor-system coffee and pastries, drive-through pharmacies, and half-hour film processing (this last based on a finding that 50% of women shoppers have an undeveloped roll of film in their purse). In Arkansas, Wal-Mart's even dabbling with stand-alone pharmacies. Throw in Sam's Club, with 46 million paid memberships, and walmart.com, with its mission of "easy access to more Wal-Mart," and you start to wonder: Is there any format Bentonville won't consider on its march to "saturation"? Well, yes, says Scott. "You're not going to see Wal-Mart casinos."

WHICH BRINGS US TO A FINAL ISSUE: IS someone going to decide that Wal-Mart has too much power? Doesn't the government break up companies that get this big? The short answer in this case is "not likely." Antitrust law is aimed at protecting consumers, not competitors. (In the US. anyway: A German judge last year ordered Wal-Mart to raise its prices.) Monopolists jack up prices. WalMart lowers them-making it, in some instances, a more effective trustbuster than the trustbusters themselves.

Yet the company has grown self-conscious about its size. While Sears and Woolworth once announced their power by erecting the world's tallest skyscrapers, Wal-Mart strives to be everywhere and nowhere, hidden in plain sight-just your friendly hometown superpower. The reasons for that may be less calculated than cultural. Sam Walton used the language of service and democracy-customers, he said, "voted with their feet"-to build a republic of fervent consumer advocates. Today the company still sees itself that way-and seems confounded when the rest of the world does not. For lest we forget, America's most admired company has also been one of its most maligned, recently attracting headlines about class-action lawsuits alleging that associates were forced to work unpaid overtime. "In the past we were judged by our aspirations," says Scott. "Now we're going to be judged by our exceptions."

It's more than a little reminiscent of another fledgling republic that became a superpower and discovered to its shock that much of the world saw it as an imperial bully. Admired and resented, imitated and vilified, envied and feared: One Nation, Under Wal-Mart.

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