

## Sam's Rules for Building a Business

**Rule 1: Commit** to your business. Believe in it more than anybody else. I think I overcame every single one of my personal shortcomings by the sheer passion I brought to my work. I don't know if you're born with this kind of passion or if you can learn it. But I do know that you need it. If you love your work, you'll be out there every day trying to do it the best you possibly can, and pretty soon everybody around will catch the passion from you—like a fever.

**Rule 2: Share** your profits with all your associates, and treat them as partners. In turn, they will treat you as a partner, and together you will all perform beyond your wildest expectations. Remain a corporation and retain control if you like, but behave as a servant leader in a partnership. Encourage your associates to hold a stake in the company. Offer discounted stock, and grant them stock for their retirement. It's the single best thing we ever did.

**Rule 3: Motivate** your partners. Money and ownership alone aren't enough. Constantly, day by day, think of new and more interesting ways to motivate and challenge your partners. Set high goals, encourage competition, and then keep score. Make bets with outrageous payoffs. If things get stale, cross-pollinate; have managers switch jobs with one another to stay challenged. Keep everybody guessing as to what your next trick is going to be. Don't become too predictable.

**Rule 4: Communicate** everything you possible can to your partners. The more they know, the more they'll understand. The more they understand, the more they'll care. Once they care, there's no stopping them. If you don't trust your associates to know what's going on, they'll know you don't really consider them partners. Information is power, and the gain you get from empowering your associates more than offsets the risk of informing your competitors.

**Rule 5: Appreciate** everything your associates do for the business. A paycheck and a stock option will buy one kind of loyalty. But all of us like to be told how much somebody appreciates what we do for them. We like to hear it often, and especially when we have done something we're really proud of. Nothing else can quite substitute a few well chosen, well-timed, sincere words of praise. They're absolutely free—and worth a fortune.

**Rule 6: Celebrate** your successes. Find some humor in your failures. Don't take yourself so seriously. Loosen up, and everybody around you will loosen up. Have fun. Show enthusiasm—always. When all else fails, put on a costume and sing a silly song. Then make everybody else sing with you. Don't do a hula on Wall Street. It's been done. Think up your own stunt. All of this is more important, and more fun, than you think, and it really fools the competition. "Why should we take those cornballs at Wal-Mart seriously?"

**Rule 7: Listen** to everyone in your company. And figure out ways to get them talking. The folks on the front lines—are the ones who actually talk to the customers—are the ones who really know what's going on out there. You'd better find out what they know. This is really what total quality is all about. To push responsibility down in your organization, and to force good ideas to bubble up with it, you **must** listen to what your associates are trying to tell you.

**Rule 8: Exceed** your customers' expectations. If you do, they'll come back over and over. Give them what they want—and a little more. Let them know you appreciate them. Make good on all your mistakes, and don't make excuses—apologize. Stand behind everything you do. The two most important words I ever wrote on that first Wal-Mart sign: "Satisfaction Guaranteed". They're still up there, and they have made all the difference.

**Rule 9: Control** your expenses better than your competition. This is where you can always find the competitive advantage. For twenty-five years running—long before Wal-Mart was known as the nation's largest retailer—we ranked number one in our industry for the lowest ratio of expense to sales. You can make a lot of different mistakes and still recover if you run an efficient operation. Or you can be brilliant and still go out of business if you're too inefficient.

**Rule 10: Swim** upstream. Go the other way. Ignore the conventional wisdom. If everybody else is doing it one way, there's a good chance you can find your niche by going in the exactly opposite direction. But be prepared for a lot of folks to wave you down and tell you you're headed in the wrong direction. I guess in all my years, what I heard more often than anything was: a town of less than 50,000 population cannot support a discount store for very long.