# External and internal environments

Business

The external environment refers to a collection of all elements and conditions outside the control of the organization.

It refers to the operating environment and is made up of elements such as competitors, government policies and regulations, technology, social-cultural factors, and economic factors. On the other hand, the internal environment refers to those elements that are within the organization, and the organization has the capacity to exercise control on them. This environment consists of significant elements such as organization culture, employees, the management, organizational structure, and financial management. This essay would utilizeWalmartIncorporation in the analysis of the effects of the external and internal environments on the operation of the company and the overall retail industry.

Walmart Incorporation operates in the sphere of the retail industry. It deals with a wide range of products as it runs different departmental stores and chains in different parts of the globe. According to the Fortune Global 500, Walmart Inc. is the third largest public corporation and the largest retailer across the globe. More so, it is the largest employer with a large number of employees in the different chains and departmental stores. This essay explicates the external and internal environments, the general environment, and the forces of completion in relation to Walmart Inc.

in the retail industry. Six Segments of the General Environment The general environment is composed of the elements that influence the industry and its firms to some significant levels. The general environment is composed of six key segments, which include the demographic segment, economic segment, socio-cultural, political, technological, and the global segments. It must be noted that firms are not able to exert control on these segments directly and have to gather vital information that facilitates the management of each segment. The demographic segment has immense effects on the industry and its firms. This segment is concerned with the number of people found in a particular location.

It forms an active base of consumers of particular goods and services offered by the overall industry and firms. This segment affects the industry and its firms in the sense that it could lead to increased profitability or a drop in the level of profits. For instance, areas facing large outflows of demographics are likely to experience reduced business activities and hamper the operations of the overall industry and firms. Largely populated areas are promising because of the immense purchasing power of individuals. More so, positive attitudes by demographics towards the industry and its firms could make enormous profits. The economic also affects the industry and its firms.

It must be noted that the economy goes through a cycle, and each cycle has different effects on the industry and its firms. In cases where the economy is experiencing a recession, the industry and its firms would experience a drop in the level of performance due to reduced economic activities within a particular economy. More so, an economic depression could lead to the collapse of most firms within the industry due to lack of viable opportunities and reduced profitability. According to Kew & Stredwick, during an economic recovery, the industry and its firms would be in a recovery and would be trying to redeem the image of their businesses. With the economic boom, the industry and its firms would make excessive profits because of the increased economic activities. The technological segment affects the industry and its firms largely.

Technology is a dynamic. Therefore, individual firms and the industry have to keep adapting to these changes. In cases where the overall industry and individual firms accommodate to the emerging technology, they are likely to make more profits due to the production of more and quality products and services. The failure to accommodate to the emerging technology would lead to ineffective production and low quality services. This would mean that the industry and its firms are ineffective. Therefore, they experience reduced profitability in the world trade.

The political segment plays an effective role in shaping the operations and entire activities of the industry and its firms. The political segment is concerned with the formulation and implementation of the different rules and regulations governing the industry and its firms. Favorable laws would promote effective operations of individual firms hence the entire industry. These would contribute to efficiency and free business. On the other hand, stringent rules and regulations governing the operations of the firms and the entire industry would inhibit activities in the industry hence lead to reduced profitability. Such negative laws would entail a ban on the realization of certain commodities.

Furthermore, a favorable political atmosphere would ensure that there is the conducive environment for individual firms and the industry to conduct its activities within the expected limits. Socio-cultural segment entails the beliefs governing the people in which the industry and its firms operate. In cases where the beliefs and religious beliefs of the local residents agree with the operations of the firm, there would be icreased level of activity and success. In cases where the activities and overall operations of the industry do not agree with the beliefs and attitudes of the people, there would be reduced activity due to the negative attitudes. Therefore, firms are supposed to be located in areas that are in line with the beliefs of individuals. The global segment refers to the capability of the firm to compete on the world market and adhere to the global standards that are established.

The regular changes in the global environment affect the industry because it could determine whether there would be increased demand of particular commodities. More so, the global segment could affect the industry and its firms negatively in cases where there is reduced supply and demand of the commodities. This would lead to decreased profitability within the industry because of reduced competitiveness within its firms. Forces of Competition The five key forces of competition within the industry include the bargaining power of buyers, threat of new entrants, threat of substitute products, rivalry from existing competitors, and supplier bargaining power. Walmart Inc.

has put in place effective strategies that enable it deals with these competitive forces hence remaining at the top of the best corporations all over the globe. The firm does not face a threat of new entrants into the industry because it has already been established in the market and has formed an effective customer loyalty ground. Additionally, the costs involved in starting a retail business are extremely high hence eliminating the threat of new entrants for Walmart Inc. The company has also expanded to many countries such as Mexico and Russia, where it runs enormous department stores and chains hence eliminating the threat of any new firms willing to join the industry. Therefore, the company remains strong and active in its pursuit of success and increased profitability.

The threat of substitutes is extremely high. This is brought about by the existence of other large firms in the industry such as Target Company. Porter asserts that these firms produce goods and services that are similar to those offered at Walmart hence posing a threat of substitute products. To overcome this threat, Walmart Inc. has differentiated its products through unique ways of packaging its products.

It also offers its commodities at prices that are affordable hence attracting most customers to its products. The company has employed these strategies to ensure that it overcomes the threat of substitute products from other industries. Consumers have a high bargaining power in the industry and this could affect Walmart Inc. in cases where it does not respond to the needs of its consumers appropriately. It should be noted that consumers are among key stakeholders within the industry and determine the profitability of Walmart.

In fact, the switching costs involving the movement of consumers from one company to another are lower hence increasing their bargaining power. This high bargaining power among consumers has forced Walmart Inc. to remain responsive to most of the needs affecting consumers in order to satisfy them. Suppliers also have a high bargaining power. They have the capacity to supply their commodities to any company of their choice according to their wishes. Walmart Inc.

has struggled to retain its supply networks by ensuring that its suppliers are given the required level of consideration and are paid on time. This has boosted the rate at which supplies are delivered within the firm hence maintaining the required level of operations. This promotes the competitiveness of Walmart Inc. within the retail industry. Another significant force of competition is the existence of competitors.

The retail industry is made up of many competitors including Target Company, which offer stiff competition to Walmart. This is because they also have high financial bases that assist them in expanding on the global market and issues similar commodities like those of Walmart Inc. Stiff competition within the retail industry has boosted the level of investment from Walmart Inc., as it has ventured into global markets. It has expanded markets across the globe in countries such as Japan, Mexico, and the United States of America to tame the stiff competition. External and Internal Environments.

Opportunities and Threats One of the key opportunities to Walmart Inc. from the external environment is favorable economic performance. Favorable economic performance across the globe would automatically lead to the increment in investment opportunities hence enabling Walmart to remain stable within the retail industry. This opportunity would increase the total number of investments available to Walmart hence ensuring that it increases its level of profitability and expansion strategies within the market due to a high level of performance. In addition, a favorable economy would play an instrumental role in ensuring that there is increased purchasing power among individuals hence presenting the opportunity for higher profits within the firm. Annother key opportunity from the external environment is favorable government policies and laws.

Favorable government policies within its countries of operation would present Walmart with the opportunity to expand further due to the enjoyment of high profits. According to Mercer, the allowance of free markets for trading by different governments around the globe would present Walmart Inc. with an effective opportunity to invest in different countries without having to work under stringent rules. This would boost the level of activity within the company and ensure that the amount of its departmental stores is increasing across global countries. Stiff competition is the principal threat emanating from the external environment.

It should be noted that the external environment is made up of competitors who pose a threat to the operations of the company. Competitors reduce the level of profitability within the firm hence causing slowed growth. For instance, Walmart Inc. faces stiff competition from Target Company, which also boasts of many customers for its commodities. Therefore, the external environment offers the threat of competitors who are likely to derail the overall activities of the firm.

Competitors have also led to excessive expenditure in terms of advertising and product promotion, which amount has increased expenses for the Ccompany. Analyzing this threat, Walmart Inc. has dedicated enormous financial resources to invest and merge with companies such as Bharti of India in order to remain relevant in the industry. High employee morale is one the key strengths presented to Walmart Inc. by the internal environment. Walmart Inc.

is one of the largest employers around the globe and has always aimed at ensuring that its employees receive the best treatment. It has ensured that its employees work in a desirable environment that boosts their morale. With this level of motivation, employees work with high morale and dedication. This ensures that most of the duties are completed effectively according to the requirements. Furthermore, high morale among employees boosts the quality of products and services offered at Walmart. It serves as strength in the profitability strategies of the company.

The level of morale exhibited by employees has ensured that the company remains significant in the market and continues with its global expansion strategies. The strong management capacities and organizational culture also offer strength to Walmart Inc. The management is always concerned with activities such as planning, controlling of activities, recruitment of employees, and other organizational functions. An effective management body has ensured that activities are run effectively within the organization and that there is effective implementation of activities. Rodiek asserts that the strong managerial practices and organizational culture at Walmart have been improved, because they have effectively promoted the activity levels and decisions on the expansion strategies.

Organizational culture shapes these managers by ensuring that they adhere to proper behavior and conduct which is aimed at the achievement of the goals of the organization. Such behavior includes transparency and accountability, which ensure that frauds are curbed, and most of the goals are realized. The key weakness emanating from the internal environment is the misappropriation of funds by the management at crucial instances. Despite the management being the strength of the company, finances are misappropriated due to inefficiencies. This has hampered the expansion strategies of the firm to different, desirable markets.

Thus, the company has stagnated in some instances when it is supposed to be on the upward trend. These inefficiencies have also reduced the level of trust existing between employees and some of the managers hence affecting the goals that are set by the organization. Conclusion In conclusion, the external environment refers to a collection of all elements and conditions outside the control of the organization. It is made up of elements such as competitors, government policies and regulations, technology, social-cultural factors, and economic factors. The internal environment refers to those elements that are within the organization, and the organization has the capacity to exercise control on them.

This environment is made up of significant elements such as organization culture, employees, the management, organizational structure, and financial management. Walmart Incorporation is in the retail industry, and it deals with a wide range of products as it runs different departmental stores and chains in different parts of the globe. The five competitive forces faced by the company include customer bargaining power, supplier bargaining power, competition from existing competitors, competition from substitute products, and threat of new entrants. The opportunities presented by the external environment include effective and economic performance, which leads to increased investments and profitability. More so, the company has the opportunity of utilizing favorable government laws and regulations to achieve high profitability. It faces competition from companies such as Target.

Internally, it is strengthened by high employee morale and high-level organizational culture. The internal weakness emanates from its managerial inefficiencies that happen at some instances.