

# Wesfarmers coopertion essay sample

[Economics](#), [Currency](#)



Current strategy of a division of paramount Australian corporation

(Wesfarmers) (Name)

(University affiliation)

Current strategy of a division of major Australian corporation (Wesfarmers)

Wesfarmers is one of Australia's oldest and most successful diversified companies. It founded in June 1914 as a small farmers' co-operative whose primary purpose was to provide services and rural commodities to Western Australia's agricultural population, Wesfamers commenced her trip to diversification since 1950s with a pioneered program that involved distributing liquefied petroleum gas. Wesfarmers then continued to advance into fertilizer production and distribution in 1984, coal mining, and then on launching insurance agency in 1991. There were also tools and forest products in 1994 and at the retail segment by 2008. At the time when Wesfarmers ventured many diversified fields, it then became a leading public company in many various business ventures including retail, insurance, industrial, and energy, with about thirty three brands that were famous and available both in Australia and New Zealand, as well. . It is a diversified fir and its diverse business includes supermarket, retail, insurance, and energy and resources field. Wesfarmers's strategy is engaged to infuse new fields, so it can undergo a steady increment without the effect of an industry downturn. The company has become a massive range of diversified companies. The company now has 9 divisions, which include coal and energy, home improvement and office supplies, industrial and safety, insurance, Coles, Kmart, and Target.

Wesfarmers has moved dramatically, to diversify through an aggressive acquisition strategy since becoming a prominent company. However, there are some challenges for Wesfarmers due to its sizable investment, sustainable development and economic crisis. Wesfarmers need to keep the growth rate and plays a pivotal role for shareholder, suppliers and clients. Ever since becoming a listed company, Wesfarmers has started to pursue its long term plan also essential priority as a measure of standard returns to shareholders. Besides, Wesfarmers also has plans to have a reputation as a company whose operations correspond to the highest ethical standards and one that contributes strongly as well as giving back to the communities and culture in which the company operates. Wesfarmers aims to create value in a sustained and responsible manner. Wesfarmers targets the national reconciliation with Aboriginal people. Wesfarmers has set the goal for providing a safe and safe work environment for all employees, customers and stakeholders. It has consistently worked on the integration of a well-designed and disciplined working culture in its endeavors through adhering to unity, openness, accountability and boldness. It also provides economic, environmental and social functioning. Aiming to provide adequate returns to shareholders, Wesfarmers has it that the achievement of the goals must focus on key factors and actions such as reduce carbon emissions, improve water and energy efficiencies and reduce business by-products and waste.

Wesfarmers is also actively involved in the investment of the community through programs and schemes and sponsorships over and above the immediate economic and business benefits Wesfarmers provides. It also indulges in foreign direct investment (FDI). Foreign direct investment (FDI) is

an extension of the business investments carried out by a company or entity based in one country and translated in another foreign country; also defined as over border company branching. The many corporations that qualify for FDI are large multinational enterprises (MNE). New foreign direct investments do not just show up randomly in foreign countries. It is the result of careful analysis and planning by corporate managers. Foreign exchange risk is the chance of an investment's value changing due to unforeseen or anticipated changes in currency exchange rates. Such risk usually affects businesses that export and or import, but can also impact on investors making international investments. If, for example, money must be converted to another currency to make a certain investment, any changes in the currency exchange rate cause that investment's value to either increase or decrease when the investor sells and converted back into the original currency. This is a crucial concept that cannot go undiscussed every time a foreign direct investment subjects. This is especially for a foreign country because changes in the currency rates of the investment target country, where an international enterprise invests, translates into changes in the value of the investment The world of business has it that it is almost impossible for a unified entity or corporation to determine or manipulate the exchange rates of a country or between countries.

This is because the factor contributes of currency exchange movements are numerous and include the forces of demand and supply, oil prices and even politics! A corporation, however, can strive as hard as it can, to protect itself from the risks involved in such currency exchange movements. The strategies involved help reduce risks for the corporation. When buying or

selling foreign currency, a corporation can either do it as and when it needs to, at the prevailing exchange rate, or try to transact when the currency exchange rate is at an advantage. A remarkably simple form of currency hedging is exchanging the currency in parts. If the corporation is uncertain if the exchange rate is going for or against it, then it can exchange it in parts, thus spreading the exchange rate. Another way to protect an enterprise against changing exchange rates is a 'Forward Contract'. This is a tool that helps manage the currency requirements. A Forward Contract allows one to agree an exchange rate at a current rate, and transact in the future. A Forward Contract offers various advantages in the exchange currency markets. Transactions, Payments or receivables in the future can be priced in one's currency with certainty, and so one can accurately budget predicts. A Forward Contract is especially attractive if a current exchange rate is in favor as one gets the added benefit of this. Many customers indeed buy forward when the rate is favorable. On agreeing a Forward Contract, however, a requirement of 5% deposit holds or 10% if the forwarding exceeds 6 months. The currency exchange Business can also offer 'Time option Forward Contracts' which are flexible. This means that the contract can be set between two dates and the currency can be 'drawn' in any amounts between these dates.

This report assesses strategies of Wesfarmers and factors might impact on Wesfarmers and considers the prospects for Wesfarmers. There are 5 parts, which constitute 5 questions, for Wesfarmers. First is identifying current strategy of Wesfarmers. The second question asks for factors likely to impact Wesfarmers. The third question assesses Wesfarmers core competence and

how it did evolve. The last part discusses if Wesfarmers' strategy is sustained and give recommendations. Corporate strategy deals with issues related to the portfolio variety of businesses held by a multi-business organization/corporation. Corporate issues include the portfolio of businesses within the corporation, the rationale behind the design of the portfolio, recourse allocation, required job performance and returns. In this case, Wesfarmers has 4 main corporate strategies according to this case. Over the past few decades, many global issues, such as the greenhouse emissions, have become exceedingly pressing, bigger and demanded long term strategic responses. Since it is a company under a list of the diversified business, the company has performed a monumental task by getting its sustainability efforts through focusing five key areas (in which are the importance of family, proven contribution of a strong economy) so as to promote values providing to all shareholders and communities across all its businesses.

Ethical and stimulating working conditions or improving the talent management systems have been achieved by performing some guidelines such as providing safe regulations. Wesfamers has used human as a key competitive factor for the development. The company has invested in four areas of communities which are indigenous communities, arts and innovation, medical and educational. The company has also minimized the negative impacts to the environmental footprint of its operations. It has concurrently, maintained an annual growth in traffic to augment the story to the national economy. One more immensely powerful thing is the carbon reduction and the effective energy management. Aside from using the

solutions for reducing the environmental footprint as previous, Wesfarmers has penetrated further into the organization by investing strongly in alternative drive methodologies and technologies. Their acquisition strategy includes 2 types. There is more traffic (add-on business) to its existing subdivision and another allocation. Howard Smith (hardware retailer) was acquired as other game. Coles was acquired as another sector as it is an add-on division of the group. Business- level strategy is different in Wesfarmers. Wesfarmers has 9 divisions; however, all divisions want to receive the end where return on equity (ROE) and return on capital (ROC) are the measurements used. All divisions need to have separate balance sheet since Eastwood became CEO in 1984. What factors impact/are likely to affect Wesfarmers? A PESTEL analysis of the macro-environment shows the factors that are likely to impact Wesfarmers. It includes the macro research and industry analysis of Wesfarmers. Political factors:

The Australia central government establishes the legislative body of mining environments, and the state government can be different laws in their existing situation. Exploitation is controlled by the state government's agreement. Sociological factors

In Australian culture, it is reasonable for a family spends lots of money in the supermarket. And his wife is likely to buy more than \$100 once per week for a family in the supermarket. People in Australia are expected to make the one-stop shopping. Burnings provides a wide variety of home appliances and reasonable price. Target and Kmart both trade washer and electronics at low

price. All these factors increase revenue returns of Wesfarmers.

### Technological factors

Australia is one of the world's best mining countries, Australia's my resources and mining industry both is better than many other countries in the world. Environmental factors Australia government always focuses on the environment protection. Environment is essential for Australia and air pollution is controlled by the related laws and department. Natural resources are maintained very well in Australia. Wesfarmers plans a project so as to reduce the product packaging whereas increasing the recycling system. Recourse and energy division are impacted by environmental factors. The third question assesses Wesfarmers core competencies and how they evolved Prahalad (1990) also indicated a SWOT study to convey health and opportunities as key competences of Wesfarmers. And it also indicates threats and weaknesses for concern 5 and guidance. Strengths and opportunities are the core competences of Wesfarmers. Wesfarmers SWOT analysis (Strength and opportunities)

### Strengths

Wesfarmers is one of the oldest and largest corporations in Australia. It is a diversified firm and its diverse business includes supermarket, retail, insurance, and energy and resources field. Wesfarmers's strategy is engaged to infuse new fields, so it can undergo a steady increment without the effect of an industry downturn. The company has become a massive range of diversified companies. Wesfarmers is a ruthless organization. And the most significant objective is to create more advantages for the shareholders.

The company deems that the development of a company based on the approval of shareholders, thus, it attracts more than 400, 000 shareholders to take its issued shares. Burnings takes over 50 percent of whole Wesfarmers. Burnings focus on home improvement tools. It has unique strengths in terms of market share and range of products. According to the cover report Burnings are the largest home appliances retailer in Australia.

### Weaknesses

The Wesfarmers' product and service cover energy, and resources, which make Wesfarmers, have less competition than other companies which specialize in one area. Wesfarmers has a stable venture in Australia and the business is largely served for the domestic market, so as a large scale industry, it encounters strong business risk. Wesfarmers Limited's profitable potential is not very strong. From 2006 to 2007, the income of Wesfarmers increased 10. 1%, stood at about \$7, 666 million. However, the working profit of Wesfarmers dropped from \$1016 million to \$929 million and the net profit also decreased from \$772. 5 million to \$618. 1 million between 2006 and 2007 Opportunities:

Wesfarmers has opportunities to develop solar and wind power. Australia is one of the best technology in solar. Solar energy is encouraged by Australian government. This technology will shape the future for Wesfarmers. The fourth question assesses Wesfarmers' corporate and diversification strategies. Corporate strategy decides the direction of an organization and determines the nature of organization activities. (Lyrmont, 1988) It is significant to define what corporate strategy is. Corporate strategy deals

with issues related to the portfolio variety of businesses held by a multi-business organization/corporation. (Hubbard & Beamish, 2011). Corporate issues include the portfolio of businesses within the corporation, the rationale behind the design of the portfolio, resource allocation, required job performance and returns. Cole's collection is an excellent choice for Wesfarmers. In November 2007 Wesfarmers spent 22 billion dollars to acquire the Coles Group retail business and then turn the head in Australian retailers. Coles group was 2nd largest supermarket chain in Australia. The market share is the first of Australia compared with Wal-Mart in the US and Tesco in British. Wesfarmers also has the opportunity to expand its global strategy. Especially for hope and fire sector, it could be stock and energy to developing and developed countries due to the demand of wealth get more and more in the world. Considering the nature, Wesfarmers has opportunities to develop solar and wind power. Australia is one of the best technology in solar. Solar energy is encouraged by Australian government. This technology will shape the future for Wesfarmers. The fourth question assesses Wesfarmers' corporate and diversification strategies. Corporate strategy decides the direction of an organization and determines the nature of organization activities. (Lyrmont, 1988) It is significant to define what corporate strategy is. Corporate strategy deals with issues related to the portfolio variety of businesses held by a multi-business organization/corporation. (Hubbard & Beamish, 2011). Corporate issues include the portfolio of businesses within the corporation, the rationale behind the design of the portfolio, resource allocation, required job performance and returns. (Hubbard & Beamish, 2011)

In this case, Wesfarmers has 4 main corporate strategies according to this case. (“Wesfarmers in 2010”) Securing growth opportunities through entrepreneurial initiative, renewing the portfolio through value-adding transactions, strengthening existing business through operational excellence and satisfying customer needs. The strategies also include ensuring sustainability through responsible long-term management. BCG Growth-Share Matrix shows sector market place of Wesfarmers. The vertical axis conduct annual market growth rate. This provides a measure of the attractiveness of the market. Market growth rate is indexed from 0 percent to 30 percent. The axis is arbitrarily divided into ‘High’ and Low growth at the midpoint by 15 per cent. The horizontal axis shows the relative market share. It serves as a measure of the competitive strength of each division. Market share of 0.1, for example means that the sector’s market share is 10 per cent of that of Australia market. From BCG Growth-Share Matrix, it could show that Coles and home improvement sector will receive the corporate objective clearly and will return more revenue to shareholders than other divisions. Diversification has its advantages. First is productive capital allocation. The investment could be effectively allocated to each division. It increases the profitability of the firm. Secondly, it is easier to manage a large firm. All the divisions could run automatically with corporate services and resources payment. Thirdly, it decreases the risk of investments.

Do not provide all eggs in a basket. It spreads the risk. Fourthly, it could produce different policy options as each sector has its strategy and business environment. However, diversification strategies still have disadvantages. First of all, it is easy to hide poor performance. Second, it is hard to

determine different business with a same measurement. The fifth question assesses the sustainability of the strategy. Can the current policy be sustained? What should be recommended and why? What are the implementation issues that are likely to arise? SWOT study could provide transparency and threats as the reason current strategy is not sustained. SMART analysis shows recommendation options. As mentioned in the introductory part, Wesfarmers, after obtaining the Coles Group in 2007, the company started to increase its range of investment in the retail market with varied kinds of products such as food, convenience, petrol, home building, outfit, liquor, software, stationery, clothing, home outfit, automobile and the accompanied services. After nearly 100 years of survival and development, the company now owns the esteemed retail association. Westfamers has become a reputable company through its means of satisfying clients by giving the best quality, service and convenience of products, plus the variety of types and the suitability in price. All these plus the staff of talented employees within the sound governance system, the company is a step-by-step performing the sustainable development to create extra value, which contributes to shareholders, stakeholders, and communities, also one which is certified by government and population, and one that is used as an advantage for developing the business activities in the future.

#### Threats:

Wesfarmers Limited's main business relies on the retail market and local production. However, Wesfarmers ignores the influence of low-cost regions in the world, and it may decrease the cost of production, Wesfarmers will

beat intense price competition in the unpredictable future. Coles turnaround is a challenge for Wesfarmers. Coles need an enormous amount investment and need to be managed. Coles also need to change old strategies and organization culture to fit in Wesfarmers.

### Porter's Five Forces

' Porter's Five Forces' analysis is mainly used to assess the attractiveness of a sector. This model, developed by Harvard Business School professor Michael Porter in the late 1970s, focuses on the threat of new entrants, the bargaining power of buyers, the bargaining power of suppliers, the threat of substitutes and potential competitiveness within a particular industry. It is mostly used alongside the " SWOT" analysis. With Porter's Five Forces, wesfarmers should exhibit these characteristics: a low threat of new entrants, thanks to high barriers to entry, including government regulations and high startup costs; a low power of suppliers, thanks to available substitutes and a large number of suppliers; a low power of buyers, due to a large number of buyers; and a low threat of substitutes due to absence of similar products or services.

### Recommendation:

According to SWOT and SMART analysis, there are some recommendations for Wesfarmers: To increase profitability in the face of increased demand for their business offerings. Burnings provides low price for home hardware and has a larger market share. It is reasonable to improve the profitability of this

division. Improve better business performance to add value of services. For instance, insurance division shall do better service than other competitors. International strategy shall be developed in order to expand the scope. Nowadays, the Australian dollar value is still powerful due to American dollar value decreases. It is an advantage for expanding business in the other countries. Has renewed and increased its long-term promotion of the Clontarf Foundation, which exists to improve the education, discipline, self-esteem, life skills and job prospects of young Aboriginal men. Australian Rules football is used as a means to attract the boys in the education system and assist in the program. Clontarf is achieving exceptionally satisfactory results in terms of attendance, retention, graduation and job. This year, Wesfarmers will be exploring ways to strengthen the relationship between Clontarf and its businesses, through site visits; guest speaker programs; supported work placements; involvement in school activities and participation in, business forums, to make the transitions occur more accessible for Clontarf boys.

#### Merge Kmart division

with Target division. These two divisions all sell almost products. They are the same business to Wesfarmers. There is no need to separate them. They can use the same strategy under corporate office management. Therefore, it decreases the cost of running a business, and it is more effective. In order to protect environment, according to SWOT analysis, it is wise to develop other environmental recourses instead of mine. Solar power and wind power are exceptionally environmentally friendly, and it is sustained in the world and Wesfarmers. In February 2010, through the partnership with Jawun, the

Wesfarmers Leadership Team spent a few days in Shepparton, Victoria, meeting the local Aboriginal people and building understanding of the issues facing local Aboriginal communities. Since then, the divisions are working together with Jean in Shepparton, to provide employment opportunities for Aboriginal people. Fifteen Aboriginal candidates are now employed in 6 by businesses, with others to come. In 2010, Wesfarmers has partnered with Jawun Indigenous Corporate Partnerships to deliver 11 seconds to work with Aboriginal organizations in the East Kimberley. Seconds spent 5 weeks in Kununurra, Halls Creek or Wyndham, working on projects that have been identified as high priority projects by local Aboriginal leaders. Some projects successfully grounded in 2010 by Wesfarmers seconds. These seconds are based on a model Developed by Jawun and community leaders in Cape York over the last 10 years. As well as providing a rare development opportunity, seconds return with a deeper understanding of the issues facing Aboriginal communities.

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accessible for Clontarf boys. Reconciliation Australia acknowledges Wesfarmers' leadership, one year into the implementation of its Reconciliation Action Plan.

Wesfarmers has demonstrated through its RAP the many ways in which an administration from outside the health sector can positively impact on the lives of Aboriginal and Torres Strait Islander people while also achieving notable successes for the company. As Australia's largest private sector employer, with an admirable public government, Wesfarmers is building relationships with its local Indigenous communities, creating civil actions that benefit local protocols and cultures, and is beginning to yield opportunities for employment within the niche of each of its divisions. During the past year, Wesfarmers has maintained a considered, sustained approach to its RAP, recognizing that peace is not an overnight occurrence, but something that takes time, commitment and a willingness to reflect on past learnings. This new RAP does just that and builds on Wesfarmers' already significant contributions to understanding. Wesfarmers got compliments on her ongoing commitment, one that shows a truly authentic and collaborative effort to achieve positive outcomes for Aboriginal and Torres Strait Islander Australians and Wesfarmers alike.