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Business, Management



Wal-Mart's International Expansion Why do you think Wal-Mart did not venture abroad until 1991, despite its success in the USA? Wal-Mart did not venture abroad until 1991, despite its success in the USA possibly due to the following reasons: (1) expanding into international markets require extensive preparation, not only in resources but also in terms of familiarizing themselves with the cultures and external factors that could potentially influence and impact on Wal-Mart's operations; (2) there are different options to choose from regarding international expansion (acquisitions, greenfield investments and joint ventures) that need closer evaluation depending on the location, target markets, and political forces that would affect the organization's decision to venture abroad; and (3) as long as there are potentials and opportunities in the local market, Wal-Mart wanted to tap these to build enough internal resources and financial capabilities to prepare for international expansion.

2. How would you explain Wal-Mart's choice of countries during the early stages of its international expansion in the 1990s?

During the early stages of its international expansion in the 1990s, Wal-Mart predominantly selected countries closest to its geographical location and where the profile of the target market share parallel behavior with those exhibited in the local markets. The first market it expanded to was Mexico, which was located just beyond their border. The rest of the countries were also close geographically, like Puerto Rico and Canada. Expansion to other countries such as Hong Kong, could have considered the nature of expanding markets and the vast opportunities that the target markets from this location could contribute to Wal-Mart's international growth. The organization could

have also considered the incentives provided by the international governments, including tax incentives or subsidies for setting up greenfield investments in these areas.

3. On what grounds do you think Wal-Mart chooses between acquisitions, greenfield investments, and joint ventures when entering a foreign market? Wal-Mart chooses between acquisitions, greenfield investments and joint ventures on the following grounds: (1) after considering costs of market entry; (2) cultural underpinnings; (3) government incentives and legal laws; (4) human resources expertise and capabilities; (5) familiarity with the environment; and (6) consumer profiles. Under greenfield investments, for example, Wal-Mart decides based on lack of potential targets to be acquired and there are local resources deemed experts to operate the organization. Joint venture, are most appropriate in cases where there has been an identified organization with competencies in the area and both partners could contribute their respective core competencies to result in longer term mutual gains. As indicated by the case facts, “ a joint venture agreement rather than full FDI (is opted), especially when first entering an unfamiliar environment. At other times, the company has built new stores on a greenfield site or has acquired an existing established retailer” (Case Study: Wal-Mart's International Expansion n. d., 227). Its experience with the German market has proven that expanding to international markets still contain some level of risks, as when the cultural orientation of the people differ markedly from the home organization, then, most likely, the business relationship would not exhibit mutual returns, as expected. Therefore elements of risk, return, control and integration are considered by Wal-Mart

in determining with entry mode to international markets are most appropriate.

Reference List

" Case Study: Wal-Marts International Expansion." In Chapter 8:
Internationalization of Business in a Changing Environment, 227-228. n. d.