

Walmart core competency essay sample

[Business](#), [Company](#)



Wal-Mart is which started from a humble store in Ozarks is now one of the largest corporations in the America. The success of Wal-Mart is mainly due to its core competences. Core competences are valuable, rare, costly to imitate and non-substitutable. Before identifying core competencies of Wal-Mart the resources and capabilities must be identified.

Tangible Resources

1) Financial Resources

Wal-Mart has the ability to generate internal funds. This is evident in Exhibit 3. In the year of 2007, net income has increase to 11. 709 billion as compared to 11. 555 billion in 2006. The current ratio of Wal-Mart is at 0. 9 which means that the firm is able to meet 90% of its current financial liabilities. Hitt etal, pg 291 Exhibit 10

2) Organizational Resources

With 3 business segments namely, Wal-Mart Stores, Sam's club and Wal-Mart International, it is deem no easy feat to manage the thousands of stores. Hence, the 25 senior Wal-Mart officers (Hitt etal, pg 289) stationed around the globe meet up via video conferences weekly to discuss, review the company's ongoing performance, focus on issues which needs to address and ways to boost the company's revenue. Its hierchary of 25 officers are formed by 14 board of directors responsible in planning, controlling and coordinating of their each individual scope and 8 senior officers supporting.

3) Physical Resources

Wal-Mart has 6783 stores worldwide in 3 segments Wal-Mart stores, Sam's club and Wal-mart international. There are three retail formats which include

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2257 Supercenters, 1074 Discount stores and 112 Neighbourhood Markets spread over 50 states in America and 2769 international stores. Wal-Mart Stores are strategically located for example Sam's club and supercentres are located at prime spots whereas neighbourhood markets are located within the neighbourhood to attract different segments of consumers.

Wal-Mart has a 1600 member Global Procurement Service team based in 23 countries which purchase merchandise from suppliers in more than 70 countries including 610000 suppliers in United State. Not only Wal-Mart has a big network of suppliers but Wal-mart is able to influence Design and Specifications of products and even dictates delivery dates from suppliers

4)Technological Resources

Wal-Mart suppliers must participate in a Retail Link computerized system enable them to interchange orders information and supply invoices electronically resulting reduced cost and increases the productivity.

Wal-Mart uses an internet-based Transportation system to despatch his merchandise to the distribution centres throughout the country. Each delivery truck is also equipped with satellite based tracking technology. This increases productivity, reducing cost and enhance security.

Wal-Mart inventory system uses a Texlon barcode system which simply allows them to track sales price, knowing the inventory level of each product and its past sales record. With information sent daily to its warehouse so that low stock levels products could be restocked the following night. Consumers habits and Information are also collected for seasonal projections.

Intangible Resources

1)Reputational Resources

Wal-Mart is well known for its wide range of products at discounted price. With its neighbourhood market stores an average of 29000 items, Its discount store offers 1200000 items and its Supercentres has 142000 of different products. Wal-mart has established itself as a “ discount general store” concept where it reflects on Sam Walton’s ideals of “ wide assortment of good quality products; lowest possible prices; satisfaction guaranteed; friendly and knowledgeable service’ convenient hours; free parking and pleasant shopping environment.

2)Human Resources

Wal-marts has an active, high-caliber 14 member directors which monitor the 8 leaders in the company. The eight senior officers who they each has a vast level of experience in their own particular field and they hold different critical roles in Wal-Mart operation today

Successors to the highest executive position have always come from within the company. As the company believe that in order to get the right person with knowledge, trust and capabilities for the job, he has to be someone who knows the running of the company inside out. An example would be the current CEO, Lee Scott who rose through the ranks after excelling in the mechanical aspects of retailing in the 1990s.

3)Innovation Resource

Wal-Mart most recent project is replacing it’s barcode system by RFID-based

system. This enables retailers to track inventory locations, store shelving status, packages en-route from suppliers. Wal-Mart capabilities

1)Distribution – Efficient logistic Management of Merchandise The internet based transportation link system which Wal-mart uses allow minimize distribution centre inventory and facilitate the transportation of merchandise swiftly and efficiently to its stores. Merchandise from suppliers arrived at the distribution centre are shipped out directly by the company's 7000 trucks equipped with satellite based tracking technology to the specific stores. It is a proven fact that the internet based transportation link system increases productivity, reduces costs and enhances security.

2)Management information systems – Efficient inventory system Its inventory management system is proved to be efficient and cost savings. The Texlon barcode system allows Wal-Mart to track sales price, knowing the inventory level of each product and its past sales record. Thus reducing unnecessary amount of inventory and detecting consumers habits and make seasonal projections for Wal-Mart

3)Management – Good management Structure

Twenty- five senior Wal-Mart officers would meet weekly via video-conferences with eight senior officers that currently have the most critical role in Wal-Mart operation. The meeting reviews the company's ongoing performances, focus on initiatives to drive sales and customer services and address broader issues

4) Manufacturing- Strong inter-relationship between suppliers Although Wal-Mart doesn't manufacture good for sales but Wal-Mart has the ability to influence in design & specifications of products from suppliers to suit its customer needs. This has greatly reduced cost for products and in return lowered price for consumers.

4 criteria's of sustainable competitive advantage

Valuable capabilities Rare Capabilities Costly-to-imitate capabilities Non substitutable Capabilities Efficient logistic Management of Merchandise Yes Yes Yes Yes Efficient inventory system Yes No Yes No

Effective human resource development

Yes No No No

Strong inter-relationship between suppliers Yes Yes Yes No

Efficient logistic Management of Merchandise

Valuable capabilities (Yes)

Effective distribution of merchandise leads to lower sale price for consumers.

In return attracts more consumers to buy Wal-Mart products. Rare

Capabilities (Yes)

Not many competitors have these resources capabilities

Costly-to-imitate capabilities (Yes)

The distribution system would take millions and time to implement Non substitutable Capabilities (Yes)

The large network of stores make it hard this system to be substituted.

Competitive Consequences: Sustainable Competitive advantage Performance

Implications: Above average returns

Efficient inventory system

Valuable capabilities (Yes)

Effective inventory of merchandise leads to lower storage cost hence lower cost for Wal-Mart and consumers.. Rare Capabilities (Yes)

Not many competitors have these resources capabilities

Costly-to-imitate capabilities (Yes)

The distribution system would take millions and time to implement Non substitutable Capabilities (No)

RFID-based system could replace the current one

Competitive Consequences: Sustainable Competitive advantage Performance

Implications: Above average returns

Effective human resource development

Valuable capabilities (Yes)

Good valuable human capital is important for an organization Rare Capabilities (No)

Others organization would have good structures and leaders too. Costly-to-imitate capabilities (No)

Human resource development can be easily developed through training and attending courses in institutions. Non substitutable Capabilities (No)

Good employees could be head hunted from other organization

Competitive Consequences: Competitive parity

Performance Implications: Average returns

Strong Inter-relationship with suppliers

Valuable capabilities (Yes)

By Influencing design and specification lowers down cost for consumers Rare

Capabilities (Yes)

Not many organizations like Wal-Mart is able to influencing design and specifications Costly-to-imitate capabilities (Yes)

Needs to buy large quantities from suppliers in order to affect decisions Non substitutable Capabilities (No)

Wal-mart can always change its suppliers of goods

Competitive Consequences: Temporary Competitive advantage

Performance Implications: Average to above average returns

Conclusion

Based on the above analysis, I conclude Wal-Mart core competencies are Efficient logistic, Management of Merchandise and Strong inter-relationship between suppliers and Wal-Mart. Despite the strong of competitors like Costco and Target, Wal-Mart differentiates themselves from other competitors to win large amount of market share in the market