

# Internal risk assessment of wal- mart essay

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



## **Introduction**

Wal-Mart is a known name in the retail food industry across the world. The company has demonstrated remarkable stability over the years and have provided the consumer utility products in competitive prices across its chain of stores. The company's mission is to enable people to save money so that they can live better (Wal-Mart, year). The company has three basic value and beliefs on which the whole organization is built, these are respect for individual, service to our customers and striving for excellence. These value and beliefs impact the ways in which company handles its strategic positioning and manages the risk posed to it internally and externally. Every company faces significant risks from the internal and external environment in which it operates. The assessment and management of these risks is extremely important for the company to survive, sustain and remain profitable.

## **Management**

The policies of Wal-Mart are to ensure a business environment which is inclusive and equitable. The company shows commitment to the customers it serves and relates with the community in which it operates its stores by hiring the local people. It also has strong corporate social responsibility as it believes in giving back to society. They actively provide scholarships to high school students to go to college, raises funds for children hospital, park projects, and centers for senior citizens, fire and police charities and others. Wal-Mart has based and evolved its corporate structure on three values and beliefs which form the pillar of the company.

## **Human Resource**

Human resource is the important aspect for the success of every organization and the people of a company forms the face of the company to its customers. The employees of Wal-Mart are provided significant knowledge to carry on their work. Company invests in intensive training programs and competency development programs to ensure the professional development of its employees. Wal-Mart focuses on the development and skill-building for its employees realizing that they are the backbone of every organization. The skilled employee force of the company definitely forms the strength of the company.

## **Marketing**

Wal-Mart famous marketing campaign is Every Day Low price which is immensely successful. Rollback is another major marketing campaign wherein Wal-Mart lowers its lowest prices hitting the floor. This strategy has been immensely successful in increasing its clientele and business. The company also ensures enhanced customer satisfaction as any and every product bought from Wal-Mart can be returned and money refunded. Wal-Mart is the ideal one stop shopping experience for customers, the feature which is much-valued.

## **Finance**

The company has been in profit from the past several years. The recorded revenue of company for financial year 2010 is \$408, 214 million which records the increase in revenue from 2009 by 0. 9 per cent. The operating profit of the company is increased by 5. 1 per cent from 2009 in 2010. The

net profit in FY2010 has been \$14, 335 million recording an increase of 7 per cent from 2009. The financial ratios also reveal that Wal-Mart is doing better than the other related companies.

## **Operations**

The strength of Wal-Mart operations is attributed to its robust distribution networks as it follows the system of cross-docking. The goods are delivered to warehouses where they are sorted and then transported to stores same day. This leads to full trucks and Wal-Mart harnesses economies of scale. This system allows low inventory storage, less lead time and quick deliveries and reduces the sales cost by 2 to 3 per cent. This savings is then passed on to the customer in the form of marketing campaigns.

## **Weaknesses of Wal-Mart**

The major weakness of Wal-Mart is the lack of the mission statement. The three core values are defined explicitly however the mission statement has been missed out by the company. The mission statement is important as it defines the business of the company. Moreover it has also been pointed out the top management of Wal-Mart is men oriented with very little female in senior management. This makes Wal-Mart not a friendly company for women. Also, one another weakness is that management does not allow any unions which are known to protect the interest of employees. Due to this, Wal-Mart is known to be averse towards the interests of its employees.

## **Human Resource**

Despite the company's focus on human resource development the company has been facing several issues from employees related to compensation,

motivation and conflict. There have been reports that Wal-Mart employees are not satisfied with the compensation they are offered. Wal-Mart has been in news too often with its human resource issues. The company should realize that the employees it hires should be paid rationally for the effort and time they put in the company. The dissatisfaction of the employees with the company put the company at a higher internal risk.

## **Marketing**

Wal-Mart has been dealing with some marketing issues internally resulting from the non-cooperation between marketing and merchandising department. However with the appointment of John Fleming, the existing Chief Marketing Officer as Chief Merchandising Officer, company has tried to address this issue. The tension between merchandising department and marketing department posed a risk in front of the company as it lead to turnaround problems in company. Marketing, for any company has to be its strength and Wal-Mart also enjoyed a robust marketing division in its early growth stages leading to creation of strong brand recognition. With the changes in the internal company structure, the company is expected to re-align its marketing strategy to deal with the external environmental issues.

## **Finance**

Wal-Mart is facing some serious pricing and merchandising issues as has been indicated by company's CEO, Mike Duke. The sales of US stores fell by 1. 8 per cent resulting in pre-market trading reduction by 1. 3 per cent. The earnings of \$1. 41 per share in 4th quarter of FY2010 have been

disappointing for the investors and for Wal-Mart both as the sales was short by \$2 billion from the anticipated sale.

## **Operations**

Wal-Mart stores are always congested and this results in long check-out queues. This may result in company losing customers to its competitors.

## **Research & Development**

Wal-Mart practically does not indulge in research and development and all its stores are opened without any research. The internal strengths and weaknesses of a company influences its strategic business moves and a company always has to re-invent and re-align its policies with the external environment in which a company operates. Wal-Mart also requires overcoming its weaknesses which serious threats to its business continuity. Among all weaknesses, the most serious is the financial weakness as a company has to financially sound and profitable to remain viable. Wal-Mart also before opening any of its stores does not research the feasibility and viability of the store in that location and this leads, sometimes to the wastage of resources.

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