

# Control mechanisms of wal-mart essay sample

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



Without the effectiveness of control, the successes of most companies would be easily faltered. Wal-Mart, being one of the World's largest retail chains, has established itself as a global leader, and not without having a defined plan of action. Through varying efforts and countless control regulation, this retail giant has secured itself within the industry. Throughout this paper, an address will be made to the control mechanisms that Wal-Mart uses within its normal business practices. In addition, a reflection will be made on how the control functions are utilized and what measures are taken to monitor such measures within management.

Control mechanisms are the functions which help maintain the processes of companies to reach their goals. Wal-Mart is a large corporation whose goals include making the products that people need available, at lower prices. The controls which are implemented at Wal-Mart are various but are strictly enforced. Wal-Mart typically uses market control; placing a monetary value upon its products. Wal-Mart also uses clan control by receiving input from its employees to achieve better promotions for the public. These controls are important to prosper efficiently in the business world; they also increase customer and employee satisfaction.

Wal-Mart's success is motivated by control mechanisms that are regulated and constantly evaluated. Four examples of these control mechanisms at Wal-Mart are scale in purchasing, a cost advantage, a strong position in the value network, and minimal employee benefits. Each of these four mechanisms has put Wal-Mart in the forefront of retail giants. Scale in purchasing concerns the large volume of items bought. Because of this large volume Wal-Mart is able to purchase at a lower price and pass that savings

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on to the customer. That brings one to the second function mechanism, cost advantage. Because Wal-Mart has lower prices there is an advantage that customers gain by shopping there. This leads to a strong position in the value network.

The fourth mechanism that Wal-Mart uses has been widely speculated upon. According to Walmartwatch. com, even though Wal-Mart has more than 680, 000 associates in 14 countries outside the continental U. S. a great percentage of employees within the U. S. are uninsured and more employees are relying on state aid. Wal-Mart said 43, 000 of its workers receive health coverage through a state assistance program. So, not only does Wal-Mart fail to insure 644, 000 of its workers, a whopping 182, 000 are left completely uninsured while another 43, 000 must rely on Medicaid and other state run programs. (Media team/Walmartwatch. com., 2010) This leads to a great surplus in funding for the Wal-Mart buying processes and gives them a great advantage in supplying its customers with lower pricing.

#### Comparison and Contrast of Control Mechanisms

Of the control mechanism to have been defined, one might come to a conclusion that each mechanism has its benefit to this large corporation. As control functions are mechanisms that a company chooses to set in place in order to maintain progression within its industry, Wal-Mart does in fact appear to have it all figured out. To the consumer, this retail giant is the go-to for a purposeful shopping experience and a reasonable savings. The company does what it says it will and the strong position in the value network appears to be secure with each passing quarters successes.

The downfall; however, does appear to be evident with the lack of needed resources made available to the Wal-Mart employee. Considering the successful positioning that Wal-Mart has been in for many years; one may choose to consider the idea that savings, on a small scale, isn't thought of in the eyes of everyone; yet, the savings is taken from the employee for the consumers benefit. Of the controls that Wal-Mart has chosen to make normal practice, each mechanism, market and clan control; have been made a main priority and normal practice for Wal-Mart. Bateman states, (2009), "Ineffective control systems result in problems ranging from employee theft to peeling tire tread problems." With the weight of the retail world on its shoulders, Wal-Mart cannot afford to conduct its business without these very important measures of control.

#### Determine the Effectiveness of These Control Mechanisms

Wal-Mart has been successful in becoming the number one retailer.

Purchasing items in large quantities is effective in lowering the prices for the consumers. Lower prices bring the customers in the doors which in turn sells the large scale of purchasing that Wal-Mart does. With the large scale of purchasing brings a cost advantage. This cost advantage is passed onto the customer.

Customers gain great savings from shopping with Wal-Mart. With lower prices, it allows Wal-Mart to have a strong position in the value network. Wal-Mart has achieved this position with their purchasing power. To continue to provide great value to the consumer, Wal-Mart provides none to minimal benefits to its employees. By not providing health benefits to its employees

they save thousands, even millions, which gives them greater advantage in purchasing and selling at lower prices. These control mechanisms are effective for Wal-Mart because it has given them the title of being the biggest retailer in the industry. It has given them the power to buy large and sell cheap.

Some the positive reactions to the control mechanisms of Wal-Mart are that employee's of Wal-Mart have different incentives through training to enhance their skills. Other positive reactions are the prices that Wal-Mart offers their customers; this is done through planning by comparing their prices with the competition, ensuring that they offer the customer's an incentive through lower prices, while also making a profit. This is done through market controls mechanisms which "involve the use of economic forces and the pricing mechanisms that accompany them to regulate performance" (Bateman & Snell, 2009, p. 599). This control mechanism can be use at the corporate level, the individual level, or the business unit or department level. At the individual level of this mechanism the wages of the employee's are often used to evaluate how the manager's perform his or her job.

In the corporate level of this mechanism the business units are evaluated against the other based on the profitability of the organization. If Wal-Mart has a unit of the store that is less profitable than another unit then that particular unit is sold off and the plan for the unit that is more profitable is then reevaluated and may receive more resources. At the business unit or department level the transfer pricing may be used to approximate market

mechanism to control transactions among departments. This method of using transfer pricing is what helps Wal-Mart to keep their prices low, offering their customer's rollback incentives and providing good quality products and services. The negative reactions to this mechanism is that the incentives offered to employees are not possible for all the employee's to obtain, therefore, many employee's are not paid as well as those employee's with more skills. Other negatives to this mechanism are that " economic measures do not reflect the complete value of an organization adequately" (Bateman & Snell, 2009, p. 600).

Bateman and Snell (2009) stated that, " Control is essential for the attainment of any management objective" (574). The controlling function in management is necessary for planning, leading, and organizing a business. Wal-Mart has accomplished goals for its organization to grow and this has only been possible due to careful planning. Once the planning phase is secure everything else falls into place but to the controlling function ensures proper leadership and organization.

Wal-Mart's ability to provide low prices to its customers is due to careful planning, leading and organizing. To provide low prices to its customers, management is required to supply data on the effects of this goal.

Organization is principal for this goal to be accomplished. Organizing employee's work schedules is one way management is able to provide low prices. Johnson (2002) states that Wal-Mart incorporates, " cross-training of employees for efficiency."

Strong leaders in management build interactive relationships with their employees. Leaders encourage and motivate their employees on ways they can save Wal-Mart money. Some of those ways may be tips on keeping merchandise presentable and easy to reach, providing excellent customer service, and ways to eliminate shoplifting.

## Conclusion

The many measures of control that Wal-Mart has made part of its normal business are one of the main reasons that this retail leader remains successfully on top of the industry. Within the many functions of management, control and its varying mechanisms has and will always play an important role. As we have learned, simply leading the market is not enough; no one organization has the market completely cornered; there will always be room for improvement. As for now, Wal-Mart will continue to do what it does best; offer the very best it has to offer to its consumer and continue to make improvements where room for improvements should be made.

## References

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