

# Free essay about the global supply chain of wal-mart stores

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



## English

### International business strategy

Among the key decisions regarding the strategy and organization of businesses operating internationally is from where and who to make purchases of the materials, goods and services that are needed for their operations. The first issue that is involved in this decisional process is the level of internationalization of the business supply source, the chief alternative being regional or global sourcing, once suppliers provide products or services to divisions located in a specific region or all over the world, and sourcing locally when suppliers provide goods and services exclusively to a lone subsidiary (Steven, 1995; and Fagan 1991). Wal-Mart operates three retail subsidiaries, Wal-Mart Stores Division, Wal-Mart international and Sam's Club. Wal-Mart's strategy includes market scope where global operations serve a diverse base of customers. Wal-Mart also cashes in on the boom of emerging economies' retail while they capture the global markets share.

The evolution from being local to operating internationally is being described as a process involving different levels of internationalization. This process is coupled with increased level of centralization of decisions concerning purchasing within the company. International operations strategies refer to the dimension and can vary from making purchases centrally, involving important decisions made by the headquarters, to purchasing locally where vital decisions are made by the subsidiaries of Wal-Mart. Although these above explained dimensional strategies are distinct in nature and refer to different strategic aspects, they are explained in relation to each other in

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many models (McMaster, p 101). However, given that methods of doing business in different countries differ appreciably, an understanding of linguistic and cultural barriers, legal and political systems and many other complexities of international trade is paramount to commercial success of Wal-Mart Stores.

### **Matching global supply chain strategy for that international business strategy**

When companies utilize their global knowledge and mount up their global requirements, business performance goes beyond direct international purchasing. Thus, supply source globalization required by international competition faced by internationalizing companies has a close relationship with purchasing strategy evolution to decentralization. This can be clearly evident from the fact that the greater coordination of resources, alignment and incorporation capabilities required by global process of sourcing become more efficient when purchasing management and planning matches throughout the world suppliers and global needs. Also, a more global strategy for Wal-Mart may be achieved through corporate or regional purchasing units, which would produce additional savings as a result of the economies of scale and increased negotiation control resulting from larger business volumes.

When the business is managing purchases and sales at a global level, emphasis should be put on the control mechanisms that measure supply management performance variables of buyer supplier relationships, as well as headquarter-division monitoring (Motwani and Larson, p 349). Under the global strategy, the subsidiary management follow-up and a process of

monitoring by Wal-Mart Stores is aimed at supporting global supply strategy alignment and international business control.

## **Explaining matching global chain elements**

The global supply chain strategy is given shape by the following main matching elements: the first of these elements is industry framework. Industry framework is the matching of interaction of suppliers, technological developments, customers and economic factors that affect global competition. The drivers of industry framework include demand profile which is the main driver of Wal-Mart's production, market mediation costs which arise as a consequence of the degree of demand predictability within the global market, the product life cycle and the relevance of the cost of assets. The second element is the unique value proposal. This element requires that a company has a clear understanding of its global competitors and its position in terms of supply chain. This aspect best differentiates the company from its competitors and helps it to win a larger share of customer orders. The third element is managerial focus which explains the alignment and linkage between the competitive positioning of the company and its supply chain processes. This approach encourages the company to focus on seeking local and global efficiencies that may be conflicting with their value proposal to consumers thus creating misalignment between the global business strategy and supply chain (Hill).

## **Theories of international trade on location**

The first theory is location theory which is concerned with the location of the business in terms of geography. When the company is moving to a new

location, this theory will help it determine the type of products and services to put in a given location. This firm will select a location with a number of economic activities, and which will help it maximize their profits and utility. The second theory is foreign direct investment theory which is a scenario where a company from a given country is making physical investment by building a factory in another country. This kind of the arrangement results in the establishment of an enterprise by a foreigner. This relationship will consist of a parent enterprise and an affiliate from a foreign country that will together form a multinational corporation. This theory will, therefore, enable the company to move to a new location given the investment of the Wal-Mart will afford the parent investment control (Sullivan and Sheffrin, p 551). The third theory that will explain the new location is technology gap theory of trade. This theory describes an advantage that is enjoyed by the country which introduces new goods into the market. New goods can be availed into the new location by the company through engaging in research activity and entrepreneurial skills (Gandolfo, p 544). Despite the availability of these theories, Wal-Mart has failed to enter new economies because of late entry into foreign markets.

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