

Example of research paper on external and internal environment

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



Introduction

Founded in 1962 by two brothers Sam Walton and James Walton Wal-Mart has grown to be one of the leading retail stores globally. The first store that the duo opened was Wal-Mart Discount City in Rogers, Arkansas. This store acted as the baseline towards the current and continuous growth that Wal-Mart continues to enjoy within the local and international markets on retail stores industry. In the World Wal-Mart is positioned as the second largest company based on the successive growth, shares that the company has acquired within the market and the dominance within the industry. The company has been able establish and acquire substantial shares within the industry with United States holding some of the company's shares through; Wal-Mart discount stores, Supercenters, Neighborhood Markets, and Sam's Club warehouse membership clubs (Troy, 2001). Internationally the company has established operations with various stores ventured by the company. The internal and external environments depict a diverse impact on the performance of the company with aspects such as technology advancements marginally contributing to the growth of the company. The company records over \$256. 3million in relation to their 2005 report which was an increase of 11. 6% compared to the previous year. The implementation of strategic business decisions aimed at ensuring that consumers receive discounts, availed with products and services at their convenience are some of the significant aspects that have propelled Wal-Mart towards success. The company introduced discount and expanded especially during recessions enabling their customers save money a huge contributing factor in relation to the company success and growth plus dominance within the market. Wal-

Mart operates chains of discount store, supercentres and wholesale stores. The retail market is competitive with various entrants and the existing giant companies having a huge impact towards the company growth and development.

The company resources based on their value chain can be attached on the various stores under which the company has been able to establish. This includes; Wal-Mart discount stores which are currently over 917 discount stores located in various regions in the United State with approximation of 107, 000 square feet on size with an average of employment estimated of around 225 associates. Wal-Mart Supercentres which hosts vision centers, health clinic, pharmacies, banks, fast foods restaurants, hair salons with around 2, 447 Wal-Mart Supercentres in the US operating mostly on 24 hours system. Wal-Mart Neighborhood Markets with around 132 stores having about 42, 000 square feet operating a deli, bakery, drive through pharmacy plus grocery store. Sam's Club which operates over 591 stores in the US with over 100 in Brazil, Canada, China, Mexico among other locations.

International Stores under the Wal-Mart umbrella serve over 49 million customers weekly employing over 620, 000 associates within 3, 121 markets in various locations such as UK, Canada, and Mexico among other locations (Troy, 2001).

Analysis on internal and external environments

Wal-Mart is ranked as one of the leading retail stores in the US. Exploring the internal and external environments entails examining the internal operations within the company which may have a limiting aspect on the organizational

performances such as wages and healthcare with environment being one of the major factors apart from competition. Wal-Mart has been able to dominate the market based on various aspects such as effectiveness and efficiency in service and product delivery. This can also be credited on the notion that the firm has been in the operation within the industry from ages ago. Though the firm has been in operation for such along it has capturing the full potential availed in the industry is a tricky and challenging aspect which limits the company effectiveness on service delivery.

Environment

Environmental concerns and awareness continue to be a global topic inspiring firms and organizations to enact strategic approaches aimed at ensuring they adhere to these concerns. Wal-Mart is not left behind when this issue is being addressed with various environmentalists questioning the company large scale buildings which are not sensitive to the environment. According to these environmentalists these buildings leads to traffic pollution and congestion damaging small communities. The employees of the company are the pointed out as the most implicated with the sufferings with most of them receiving low wages termed as “poverty-level salaries” with horrible health care benefits. Based on these criticisms the consequences are evident as consumers turn away from the company hence reducing sales while damaging the company image. To address these concerns the company has enacted an effective social corporate responsibility strategy to ensure that environmental and employees concerns are effectively

addressed. The company has introduced a new healthcare plan for their employees and reviewing the child labor laws.

Geographical Location

Though having wide range of stores regionally the issue on the locations of the company stores is one of the internal and external factors that limit the company success. The company has grown to be one of the leading retail store in UK, however location strategies enacted by the company fails to meet the company performance expectations compared to other retail companies. The company failure to strategically venture on large part of European market limits their success. This factor is sensitive considering the strategies laid by the competitor. The company is developing strategies aimed at venturing on these markets.

Conducting a SWOT analysis on the company is essential towards examining the strengths, weakness, opportunities and threat implicated on the company based on the external and internal environments. Conducting analysis based on the stipulated aspects of the company will help determine the competitors, potential entrants in the industry if there is and provide a conceptual approach defining the company current and future status.

Strengths

The company is one of the leading retail stores in America being the largest employer in the US being the only place where people get employed with no education. This is a significant aspect that the firm poses which upon effective and efficient use can lead to growth and development of the company more within the industry increasing market share and dominance.

Another significant and essential aspect that the company enjoys is their competitive pricing development strategies which emphasize on quality brands which top the value margin. The company employs an aggressive growth strategy based on the large number of sales recorded by the company annually. The company historical existence and development offer a unique aspect hence attracting and maintaining consumer loyalty an essential objective that every firm within the industry seeks to achieve. The company has established a large number of stores as indicated earlier a significant aspect on the company towards increasing dominance and market share (Bernstein, 2000).

The company's ability to develop a competitive and remarkable logistic system enabling it to ship merchandise via varying distribution centers hence providing a cheap and efficient route can be credited as one of the strengths that the company has been able to establish. The company has also established a strong mechanism which embraces technological changes towards effectiveness and efficiency in their services such as on-line orders and shopping (John, 2005).

Weaknesses

In spite of the stipulated strengths that the company enjoys, there are various weaknesses that the company projects. These weaknesses can either be credited to be the direct or indirect causes of the factors that have limited the company's effectiveness and efficiency to grow and develop compared to other retail stores within the industry. One of the weaknesses that the company should seek to cater for is the poor image on the public based on

the low prices of commodities offered by the company on reduced discounts. Various entrants within the industry have been forced to close based on the fact that the dominance of the company limiting their success. This notion derives the customer's way. The perception that the consumers have developed over the company such as being cheap and out-of date are also weaknesses that the firm has failed to address. The high figures that the company use on advertisement seems to have no implication on the sales based on the poor marketing strategies. Some of the other weaknesses projected by the company include; environmental concerns, low wages and poor healthcare programs on the employees, poor geographical locations that fail to harvest diverse opportunities presented in the market and deflation dilemmas.

Opportunities

Wal-Mart has numerous opportunities which upon full exploitation can lead to market dominance within the industry. The company has the most effective and inefficient digital products including online store and mobile application. The fact that the company is the largest retailer in the US offers an essential platform that can enable the company become the largest retailer in the world. The availability of these products if effectively utilized can create a competitive advantage especially the escalating number of consumers preferring online shopping. Developing strategies to capture these numbers through effective approaches pose numerous growth and development opportunities for the firm. Redesigning and diversifying the stores to attract more customers within their demographic consumer target

segments provide additional opportunities this is evident on the company strategy introducing Neighborhood Markets (Lindeman, 2005). This can further be achieved through national wide redesigning and diversification of the stores to cater for unexploited market opportunities in the large part of Europe. Though this can be cost effective the outcomes can position the company stores as one of the most digitalized stores hence increasing sales by attracting more consumers hence increase in market share and dominance. Some of the other opportunities presented to the company include; their strategy of introducing a new healthcare plan and paying close attention on the child labor laws, the company large share on the retail market positions the company on a strategic position within the global economy, environment and the society hence able to decrease inflation on their low prices. The company international expansions offer vast opportunities on the company especially on developing countries such as Asian markets.

Threats

Wal-Mart is famous basically on their attractive discounts and low prices in order to maintain this; the company is forced to minimize costs on other areas within the company operations. One of the company strategies in relation to ensuring that consumers are availed with discounts and low priced commodities is through squeezing the suppliers. This notion has attracted competitors hence leading to downward drastic record on sales. Another threat that the company faces is the issue on wages with the researchers indicating that every time the company opens a new store there

is a reduction on the wages on the county involved by around 5%. Some of the other threats include; consumer uncertainty, ability to succeed on new ventured areas compared to the success on the home markets with the international expansion deemed to create slow short-term growth. The production of documentary movies depicting a bad image on the company can damage the company reputation leading to reduction on sales. The introduction of RFID is anticipated to have a negative impact on the company though aimed at offering a great deal on supply-chain management (Cramer, 2006).

Recommendation on improving the weaknesses

Wal-Mart weaknesses can be catered for through strategic approaches to address them. The weakness on low wages and poor healthcare plans can be catered for through developing strategic mechanisms by the company to introduce new salary increment mechanism and healthcare plan. This is achievable through involving every stakeholder within the company by considering the employees working conditions and living standards and enacting strategy catering for their salaries. The poor image impacted by the company can be boosted through developing approaches such as segmenting the markets and offering products to the customers based on their demographic, physiographic among other aspects (O'Brien, 2004)..

Porter's Five Forces

Through the use of porters five forces concept on competition avails a clear insight on the nature of competition under which the company operates. Industry analysis through the use of the concept offers a detailed insight on

the essential aspects that the company seeks to cater for. The five forces normally address on potential competitors, rivalry among established companies, the bargaining power of buyers, bargaining power of suppliers and substitute products. The two among the listed five forces that offers a medium pressure on the company are; potential competitors and rivalry among the established companies (Kaplan, 2004).

Potential competitors

Under this notion the company witness medium pressure based on the large market share that the company has established. Grocers are the most prospective potential entrants within the retail industry (Teresa, 2005). However the tough entrance barriers supplemented by the company outstanding distribution systems, a strong brand name and huge financial capacities scares away the competitors.

Rivalry among the established companies

The retail industry is competitive with companies such as Sears, Kmart and Target also acquiring substantial share of the market. Target which is one of the strongest retail companies offers huge threat to the company based on the competitive pricing strategies and locations of the company. Target tremendous growth in the domestic market with a clear definition on the niche pose great threat to Wal-Mart. Sears and K-Mart through within little or no substantial capabilities or strategies to compete with Wal-Mart and Target, their presence within the industry can be ignored (Cramer, 2006). The retail industry is mature on the industry life cycle concept indicating minimal or no entrants by new companies.

Other aspects such as bargaining power of the suppliers and buyers have low pressure on the company. The bargaining power of buyers has minimal or no impact to the company performance while that of the suppliers being low based on the fact that the company has massive market share hence controlling the manufacturers and suppliers. This gives the company power over the various suppliers creating a competitive advantage within the industry.

References

- Cramer, J. J. (2006). Wal-Mart, Fess Up to Weakness Within. Wake-Up Wal-Mart. com,
- Lindeman, T. F., (2005). Two Public Relations Campaigns pit Wal-Mart Against Critics. Pittsburgh Post-Gazette.
- Wal-Mart Stores, Inc. Company Profile, April 2005.
- Troy, M., (2001). The World's Largest Retailer. Chain Store Age Executive. P. 47. Vol. 3
- Bernstein, A.,(2000). Labor Finally Puts A Target on Wal-Mart. Business Week,
- Kaplan, A., (2004). Ready or not, here it comes: Wal-Mart's deadline for RFID tagging approaches, and with it case-loads of concerns. Beverage World 0098-2318, Retrieved: October, 30, 2013
- O'Brien, J. A.,(2004). Management Information Systems: Managing Information Technology in the Business Enterprise. (pp. 44-45) New York, NY: McGraw-Hill/Irwin