

The wal-mart's organizational culture essay sample

[Business](#), [Management](#)



Introduction

Wal-Mart's organizational culture is based on Sam Walton's vision according to which associates are the best idea generators. As a result, employee learning and growth is a critical success factor at the company. It is through employee learning and growth that the company is managing to stay ahead of competition. As part of the continuous improvement process, the company launched the e-commerce business model which enables customers to order online. Because of the intense level of competition facing the company globally, the critical success factor for the company is to enhance the effectiveness of target marketing.

This will enable the company to widen its market appeal to additional segments of the market. Currently its market focus is limited to some niche segments. However if the company is to respond effectively to the high threat of competitive rivalry then it has to adapt its marketing mix in order to solicit customers from additional segments of the market. In this respect some of the recommended action plans for the company are to conduct market research with greater frequency, to invest more in promotion and distribution and to diversify the product line in order to reach out to additional segments of the market. The company also needs to enhance the effectiveness of the hiring process so that costs in training and development can be reduced. It is believed that these strategies will enable the management to address the criticisms that the company is now facing.

Analysis and evaluation

Organizational challenges

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As a result of its global operations, Wal-Mart faces competitive challenges throughout the world. In North America, its primary competitor is Kmart which has been rapidly gaining market share at Wal-Mart's expense in particular product categories such as radio grill and fast food outlets. Kmart has also established a number of super-centers and discount stores which are targeting Wal-Mart's customer base. Other competitors in North America include Meijer and Target. In Canada, Giant Tiger and Winners have been the main competitors. Outside North America, its competitors are Metro and Tesco. Wal-Mart has undertaken major initiatives to rapidly widen its presence in the fast growing Chinese market. In implementing these initiatives, it is modifying marketing and selling operations in accordance with local cultural orientations. For example, Wal-Mart agreed to accept organized labor in China as a result of pressure from the government. As a result, it has been able to establish good market reputation.

The reason why Wal-Mart has been able to maintain its position as the market leader in the industry is that the management emphasizes good working conditions for the employees and good customer service. Customer surveys are undertaken from time to time in order to facilitate a continuous improvement process in customer relationship management. The management recognizes that the two most important stakeholders for the company are its employees and its customers. Therefore, the company has built the key success factors based on satisfying the needs of these two groups of stakeholders.

For example, in terms of creating favorable working conditions for the employees, the human resource department conducts employee satisfaction surveys from time to time in order to identify areas for improvement. These surveys focus on whether the employees were satisfied with the results of past performance appraisals and on identifying areas for improvement in this area. The top management recognizes the importance of strategic human resource management in this regard and rigorously attempts to develop measurement models which can assess the return on investment in different areas related to training and development. In terms of meeting the needs of customer satisfaction, the company has recently launched the e-commerce business model in order to facilitate availability of different product categories for home consumers (cited in Besterfield, 2002).

Operational challenges are related to maintaining world-class quality in terms of providing services and also maintaining a continuous improvement process in terms of maintaining a performance improvement system. In implementing the performance improvement system, the company has built the necessary framework for integrating Baldrige award criteria into the process (cited in Fred, 2006). The award criteria are based on creating an effective organizational structure. These criteria have been aligned to key success factors in order to enhance the strategic focus of the company. As a result, the existing organizational structure has been the source of a sustainable competitive advantage in terms of maximization of employee satisfaction and productivity.

Strategic planning

Strategic planning at Wal-Mart is centered round the process of change management. This is because of the rapid process of change that has been characterizing the retail industry in the last few years. However the management recognizes that strategies undertaken to facilitate business process reengineering must be in alignment with the strategic focus of the company. Therefore the strategic alignment process is at the heart of strategic planning at Wal-Mart (cited in Evans, 2004). In implementing this process, the company has established four interdependent areas which must be shown to be aligned in terms of their strengths and weaknesses before the management can proceed with strategy deployment.

These four areas are IT strategy, business strategy, organizational issues and information system issues. In ensuring the successful implementation of the strategic alignment process, the management hires a change management consult to supervise the process. The IT strategy is related to selecting the best technological platform. Even though the company does possess expertise to evaluate different IT strategies compatible with the existing IT structure, the strategy in this respect is to go for outsourcing in order to select the most effective technology. For example, in migrating to an enterprise resource planning solution, the management hired Oracle to install the hardware and software. In this case, representatives from Wal-Mart and Oracle met several times in order to assess whether the technological solutions as specified by Oracle were feasible given Wal-Mart's business strategy and its existing organizational structure.

The process of managing change is guided by the balanced scorecard method according to which the organization is viewed from four interconnected perspectives: financial, customer, learning and growth, and internal business processes. In accordance with the method, the management maintains focus on the financial perspective such as profit maximization. This also relates to the strategic alignment process as implemented under the change management framework because the process of developing business strategy is directly linked to the financial perspective. For example the level of expenditures to be allocated for IT investment is limited by business strategy. However the management of the company emphasizes the forward-thinking performance management system of the balanced scorecard method and therefore allocates more resources in setting initiatives in the other three perspectives of customer, learning and growth and internal business processes.

The interconnectedness between the different process chains is the main feature of the balanced scorecard method and as a result when it comes to strategy deployment, the effects are assessed in terms of their organization-wide impact. In this respect, the implementation of the strategic alignment process provides a framework under which the interconnectedness between different process chains can be properly evaluated. The interconnectedness facilitates the implementation of total quality management. Because of initiatives undertaken under the total quality management framework, strategic planning and deployment are specifically aligned to maximizing employee and customer satisfaction through learning and growth and internal process reengineering. The company strictly maintains these

guidelines in strategy formulation and implementation and as a result, it enjoys the lowest the employee turnover in any industry.

Strengths and opportunities for improvement

In respect of leadership, strengths are dedication to maintaining a learning environment and to maintaining an environment in which associates experience satisfaction in working for the company. A flexible decision making mechanism is also one of the major strengths. However the leadership does not communicate well with the associates when it comes to managing change. Also there is some inflexibility in terms of customizing operations to local market expectations when it comes to international expansion.

The strength of the strategic planning process at the company is that the balanced scorecard method is implemented in order to align employee objectives with those of the organization. The result is a continuous improvement process in which reengineered practices are aligned to the strategic focus of the company. The main strength of the planning process is its focus on organizational core competences. The area for improvement in this regard is further clarification on how the planning process addresses those issues identified in the organizational profile.

In terms of customer and market focus, the strength is including customer requirements in strategic planning for process management. The company also conducts customer satisfaction surveys from time to time in order to determine whether the existing benchmarking measures are adequate.

Partnering with customers in order to develop the best shopping experience also contributes to strengthening customer and market focus. The area for improvement in this regard is to modify the marketing mix to widen market appeal to additional segments of the market.

In measurement, analysis and knowledge management, the strength is the process by which selected benchmarks are aligned to the strategic focus of the organization. Another important strength is the way in which the company assesses the gap between departmental goals and actual results by running the balanced scorecard. The opportunity for improvement is to involve more stakeholders in the decision making process. Each department has to be equally represented in terms of participation from the value creation personnel.

The strength of the company is the way in which the performance management system is built and maintained to facilitate workforce focus. The communications structure is also a positive factor in terms of making performance appraisals more accessible to all the stakeholders. Additionally, the safety and environmental standards are the best in the industry. The opportunities for improvement in this respect are the selection criteria and the hiring process so that training and development costs are minimized.

In process management, the strength is the organization-wide involvement in reengineering processes implemented from time to time. Another important strength is the cultural orientation of innovation which motivates employees to contribute inputs to change. Because of the bottom-up approach in change management, employee resistance to change is

minimized. The investment process in terms of strategic allocation of resources is also effective. Opportunities for improvement are in the areas of competitive analysis and market trends and focus. The frequency with which these activities are conducted needs to be increased so that changing market dynamics are captured more efficiently.

Five most vital opportunities for improvement

Communications in change management: employee resistance to change is high because leadership is not communicating the benefits of change effectively. This is undermining the cultural orientation of innovation.

Greater alignment to organizational challenges: the company faces intense competitive threats throughout the world. However strategic planning is not flexible enough to adapt to the competitive challenges in different market conditions.

Greater stakeholder involvement in decision making: in performing internal benchmarking, associates have to be involved more in selecting the right benchmarks to measure against. Wrong benchmarking measures will impair organizational efficiency.

Selection criteria: Greater emphasis on cooperation, communication and diverse thinking is recommended.

Hiring process: the company incurs a considerable level of expenditures in training and development costs. However a change in the hiring process will reduce these expenditures.

Action plans for implementation

If the hiring process were to be modified, then the training and development costs could be cut by nearly half. The area of responsibility in this respect is the human resource department. The recommended modifications are in the form of greater alignment between the hiring process and the organizational strategic focus by adapting the screening process and the interview questions. Both the screening process and the interview questions should emphasize areas such as past team success and participation in continuous improvement process. This will screen out those candidates who will find it easier to integrate into a culture of constant change. In order to make these modifications effective, the company should hire a human resource management consultant.

Greater alignment to organizational challenges: the retail industry is in a constant state of change particularly in the area of competitive threats. Particularly in North America, competitors such as Kmart are fast cutting into the market share that was traditionally Wal-Mart's exclusive preserve. Therefore, the company needs to implement strategies in the areas of target marketing and positioning in order to widen its market appeal as a way of implementing strategies targeted towards countering competitive threats. Nearly 90% of its total consumer base comes from low-income categories with conservative values and beliefs. Even though there is a strong of culture of innovation in terms of process reengineering, this does not appear to be affecting the existing scope of target marketing which needs to be widened. The action plans in this regard are three: 1) conduct market research in

order to determine a positioning strategy that will appeal to high-income consumer segments 2) include more variety in the existing product lines in order to attract the more liberal consumer base 3) invest more in promotion and distribution.

The current yearly revenue is \$40 billion (cited in Fishman, 2007). As a result of implementing the action plans above, the revenue is expected to go up by 25% while increasing expenses by only 12%. The time frame involved is no more than 12 months. For example, conducting market research will take no more than six months and then the additional six months will be taken to formulate and implement the positioning strategies. Launching customer partnering programs to include greater variety in the existing product line could be done concurrently with market research activities. The third action plan of investing more in promotion and distribution involves a time frame of six months and this action plan can also be implemented concurrently with the other action plans. The time frame of six months is necessary because the management needs to improve its system of identifying market trends and focus. According to the findings of a regression analysis, demand in the retail industry is not expected to go up. Therefore the company needs to promote its product line more and also to enhance the quality of the distribution system so that accessibility is improved. A sensitivity analysis shows that a 5% increase in promotional expenditures will result in 10% increase in revenues. The remaining 15% increases are expected to be generated from market research activities and from enhanced width of the existing product line.

Conclusion

The two most important stakeholder groups for the company are its employees and customers. The action plans above address the interests of the two groups. It is by addressing the interests of these two groups that the management should address its critics and adversaries. For example the development of an effective positioning strategy will depend on creating a positive image in the market. This would enhance the company's reputation as being the best place to work in the industry. Wal-Mart is also a major generator of employment. Therefore it's location in a particular neighborhood will enhance the economic potential of the region by providing not only employment but also further growth opportunities for the local suppliers and manufacturers. These aspects must be emphasized upon in the charm offensive. These objectives can be met through the action plans of hiring and greater alignment because clearly the top management has lost touch with the important stakeholders and as a result the company is facing the criticisms. The recommended action plans will force the management to redesign its existing organizational structure so that the existing business model can be adapted to address the issues of all parties concerned.

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