

Wal-Mart is relentless in its march around the globe. It is the most profitable retailer in the world but has outgrown its domestic American roots.

1. How has Wal-Mart gone global? What methods has it used? Which ones work and which ones haven't? What challenges does it face?

Wal-Mart's operations are organized into three divisions: Wal-Mart Stores U.S., Sam's Club, and Wal-Mart International. This last, Wal-Mart International division, organize the operations of the 2980 stores in 14 countries outside the United States (<http://en.wikipedia.org/wiki/Walmart>).

The most common mechanism used for Wal-Mart for expanding its operations is through the foreign direct investment (e.g.: acquisition of an established retailer, in Canada acquired the 122 stores of Woolco division, in England acquired Asda), but also strategic alliances (e.g.: joint ventures in India (Bharti Enterprises) and Mexico (Valmex)). Wal-Mart international also develop operation as retailer (supercenters, neighbourhood market and discount store) and Sam's Club in most of those 14 countries (<http://en.wikipedia.org/wiki/Walmart>).

Wal-Mart uses a very integrated, efficient and strongly controlled chain for its business; this characteristic limit some methods to develop business abroad. Only the huge intervention of Wal-Mart executives, applying Wal-Mart methodologies and technology could guarantee a successful business. These characteristics do that other methodologies than the developed by Wal-Mart for going global have strong probabilities of failure (e.g.: independent agent, licensing).

Wal-Mart has had very important challenges going global. Wal-Mart developed very efficient strategies adapted for a specific market in the United States. Going abroad, these strategies must be adapted for each country, and the capacity of adaptation and perception of needed changes by the management represent big challenges.

The productivity in the United States is one of the higher around the world. In this market, people work with a high efficiency that it could be difficult to find in other markets. Wal-Mart could try to enforce this similar efficiency in other countries, but it could be seen as high demanding working conditions for the society, with risk of being rejected.

In the same sense, some conducts, rules in place and work environment developed by Wal-Mart in the United States could be found inappropriate in other markets (e.g.: the policies about women's right, grassroots organizations, labor unions, low wages, low rate of employee health insurance enrollment, pressure to employees to vote for specific parties during national elections) (<http://en.wikipedia.org/wiki/Walmart>). These social and cultural constraints represent a very important challenge for any company going global, but especially for Wal-Mart, who base part of its strategy in the high employee efficiency. The economic instability and/or high inflation in some countries constitute an important barrier for business planning. This instability and inflation also could represent a huge opportunity, but in any case they are variables that should be very well analyzed before to develop business in those countries. In addition, other barriers/opportunities that Wal-Mart should study previous going to these countries are the corruption, employee salary level (important factor for Wal-Mart efficiency), available technology, structural problems (e.g.:

some countries are suffering electricity shortages), policies (e.g.: unions, subsidies, quotas, tariffs, protectionism), business-practice laws, local laws.

As summary, Wal-Mart faces important challenges associated to the adaptation of its business operation to each country/region.

Wal-Mart is like a hungry giant that need more and more food; but the history shows that these kinds of giants become clumsy (e.g.: Standard Oil, IBM, Bell Telephone); it could be interesting to see if it advances the idea of global monopoly that some people are driving against Wal-Mart. This issue could represent a big problem for the Wal-Mart expansion.

2. If you were the Wal-Mart executive in charge of international expansion, what are some of the factors you might consider when expanding into another country? How might you do it?

In general, I would not introduce big changes. Basically I would consider the following factors:

- To be more and more efficient, integrate the new market to the Wal-Mart value chain. This will allow reducing fix costs, increasing the volume of purchase and taking a better position in the negotiation with providers.
- To have more adaptation to the local customs for the employees. It is possible to allow local employee not to lose some social behavior, losing some efficiency, but winning the social acceptance. An extreme case was the when Wal-Mart closed the unionized store in Jonquière, Quebec. People feeling about Wal-Mart were very bad in Quebec at this moment. This issue represents more than an adaptation to the social behavior, it is a Wal-Mart strategy, but it shows how contradicting local commitments could damage its image and social acceptance.
- The Wal-Mart image is the image of a classical company from the United States. In some countries Wal-Mart has changed its face through joint ventures. I would work more in this idea, with a more adaptation to the local conditions. The name Wal-Mart has become a very recognize name around the world, and it has helped to develop business globally; but in other countries, Wal-Mart participates in the business with different names. In fact, the more important thing is how Wal-Mart develops business, its huge efficiency, its strong capacity buying cheaper and pushing till the limits to this providers (also labor providers). This strategy could be developed under any trademark, but operating under the complete Wal-Mart group taking benefit of that.
- Wal-Mart has developed several indexes to measure the performance and efficiency of it stores and clubs. These indexes push very hard to executives and manager in some countries; finally, this huge pressure could incentive acts, conducts or behaviors at the limit of the ethic considerations in those countries. The commercial practices around the world differ and what could be seen as unethical in some countries, it could be socially admitted in others. I would put strong emphasis in this problem because in the globalized market, the corporative image is very valuable.
- I would develop more social programs to relate the image of the company with local people. Wal-Mart has been developing some programs, but they are few or with very bad communication to the society.

