

## 4.3: Putting It Together- Environments and Strategic Management



Let's return to the scenario that we considered at the outset of this module. As the new head of North American operations for Walmart, you've been asked by your boss to outline your strategy for dealing with the threat posed by Amazon. Let's apply the strategic management process you just learned about.

### Step One: Strategic Objectives and Analysis

You start by reviewing the mission statement to ensure that your strategy is focused appropriately: "We save people money so they can live better." You will want to make sure that your strategy is consistent with this vision.

Next, you will move to an external analysis of the business environment using the PESTEL methodology.

PESTEL Methodology

| Factor               | Analysis of External Environment   |
|----------------------|--|
| <b>Political</b>     | Minimum wage pressure<br>Working conditions of international suppliers (child labor) |
| <b>Economic</b>      | GDP growth forecasts are modest<br>Low interest rates, but Fed signaling increases   |
| <b>Social</b>        | Aging population<br>Large millennial demographic                                     |
| <b>Technological</b> | Growth of online shopping (greater consumer acceptance)                              |
| <b>Environmental</b> | Impact of emissions standards on truck fleet   |
| <b>Legal</b>         | Healthcare regulation impact on large part-time workforce                            |

Once you have evaluated the external factors impacting Walmart, it's time to look inward. An important tool that you learned about in this module was the SWOT analysis. You decide to use this framework next.

SWOT Analysis Example

|   |  |
|---|--|
| <b>Strengths</b> <ul style="list-style-type: none"> <li>• Low-cost supply chain</li> <li>• Large network of brick and mortar stores</li> <li>• Large fleet of commercial trucks</li> <li>• Exceptional logistics</li> <li>• Database of consumer shopping habits</li> </ul> | <b>Weaknesses</b> <ul style="list-style-type: none"> <li>• E-commerce presence one-fifth the size of Amazon's</li> <li>• Negative PR—employee wages</li> <li>• Low brand acceptance among millennials</li> </ul> |
|---|--|

**Opportunities**

- Improvement in HR practices
- Increase investment in technology
- Online shopping growth
- Improve quality standards

**Threats**

- Aggressive competition (Amazon)
- Ease of entry to online selling
- Intense price competition

### Step Two: Strategic Formulation

You have gathered a lot of important information about the organization and the environments in which it operates. Now you need to turn that data into concrete goals consistent with the established vision.

It's becoming clear to you that your competitive advantage lies in three areas.

First, Walmart has the lowest-cost supply chain of any retailer in the world. Walmart's buying power gives it considerable leverage in supplier negotiations. However, in the minds of consumers, Amazon is the low-cost place to shop online.

**Strategic Goal:** Use the company's low-cost advantage to put financial pressure on Amazon and other competitors and clearly market this differentiation to consumers.

Another clear competitive advantage you have over Amazon is your massive network of distribution centers and fleet of commercial vehicles. One of the things you noticed when studying Amazon's financials is that they spend a lot of money on next day and second-day delivery. If you leverage your network, you can establish a clear advantage.

**Strategic Goal:** Leverage the distribution centers and commercial fleet to provide excellent delivery service at a fraction of the competition's cost.

Finally, you recognize that although everyone is focused on moving retail online, Walmart's existing brick and mortar stores are an asset that is being underused. Many consumers want to have the option of interacting with both an online and physical presence when shopping. There is a tactile dimension to shopping that is lost in an online transaction.

**Strategic Goal:** Better integrate the online and physical aspects of shopping that Walmart can offer (for instance, offer in-store pick-up of online purchases) and communicate that experience to consumers.

With these strategic goals in mind, you are ready to move to the next step in the strategic management process.

### Step Three: Strategic Implementation

Now it's time to move to action. As the head of North American operations, you pull together your key executives and work on specific goals for each division and functional area. All leaders are aware of their specific responsibilities and deliverables and have been given the necessary authority to execute the plan. As stated earlier in the module, a good plan is not enough—the right action is what will determine success or failure.

### Step Four: Strategic Evaluation and Control

As you've learned, internal and external conditions are always changing. Although you feel good about the plan you've constructed, you know environments are fluid. So you implement processes to measure performance and frequently test the plan's assumptions. Doing so helps ensure that the ongoing actions will deliver the desired results.

In this module you have learned the importance of strategic management and how to analyze the factors that impact an organization. The best leaders know that the proper application of these tools can result in lasting competitive advantage.

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