Images of Change

Wal-Mart and Target

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1. Image of Change in Wal-Mart

Since Wal-Mart's inception in 1962, the company has grown tremendously. It has turned from being US No.1 retailer to the world's No. 1 global retailer. As of 2014, its revenue reached $476B, operating more than 6,100 retail units in 26 countries located in North and South America, Europe, Asia and Africa (Wal-Mart Stores, Inc., 2015). Its operation has three main segments, Wal-Mart U.S., Wal-Mart International, and Sam's Club. It offers merchandise at discounted price in the following categories: grocery, entertainment, health and wellness, hardlines, apparel and home (Microsoft, 2015).

At the heart of its rapid growth is a strong leadership centered in its Bentonville Home Office. Its founder Sam Walton acted as the director of change who began it all with his passion and vision of offering merchandise at "The Lowest Prices Anytime, Anywhere". Throughout his leadership (1970s –around 1988), he succeeded leading rapid expansion across U.S. through its big box/supercenter store format and later on, Sam's Club to serve small businesses and individual bulk consumers. He was successful in doing this by initiating strategic changes within the organization such as establishment of distribution centers and adoption of automated point-of-sales (Wal-Mart Stores, Inc., 2015).

When the torch was passed on to a professional CEO, David Glass, more dramatic changes happened. Armed with renewed mission/vision of "everyday low prices", as the new CEO, David served as navigator of change. He redefined convenience and one-stop shopping for its domestic stores, and successfully led the global expansion. He created the International Division to spearhead this. The expansion has so far been a success through its strategy of partnering with local retailers and eventually acquiring majority or wholly the company to solidify local presence in the country. Currently, while US comp stores sales are declining, the international operation has grown in 2014 by 4.6%, making it as key engine of growth for Wal-Mart. Wal-Mart International's success however entailed certain risk which contributed to unintentional outcomes. Aside from local economic and political risk, there is presently an investigation going on for possible violation of Foreign Corrupt Practices in the company's operations in Mexico, China and India (Dudley, 2014).

Amidst this rapid expansion, there were also change initiatives implemented to align operation to changing consumer preferences and social demand such as establishing foundation and offering healthier products. This is when concurrent CEO acts as caretaker of the organization. As a caretaker however, even though the change manager does the best he can for the organization, the outcome is completely beyond their control. For example, while Wal-Mart consistently pursues offering the lowest cost merchandise to the benefit of its customers, it has been put into bad light by some critics in terms of providing inequitable compensation to its employees in order to lower cost of operation. (Wal-Mart Stores, Inc., 2015).

Wal-Mart's more recent challenge is in venturing into e-Commerce. Its establishment of e-Commerce began in 2000 to tackle online-shopping companies which are eating up on its market share. Unlike its brick and mortar stores however, this e-Commerce business model has not gained the desired momentum. In addition, with the emergence of dollar stores and smaller convenience stores, Wal-Mart U.S. is noticing that customer traffic in its stores have been declining. This new trend in the retail industry is forcing the Wal-Mart to reassess its strategy and thus, has started to open up more smaller stores. It is challenged however, to maintain its merchandise at a discount price since volumes in smaller stores may not be economical to continue the same pricing strategy (Team, 2014).

2. Image of Change in Target

Incorporated in Minnesota in 1902, Target Corp was first known as Dayton Dry Goods Company. I t flourished in the state as Dayton's Department Store following the core principle of its founder George Draper Dayton, which is about "the higher ground of stewardship". Dayton's leadership of the company likewise, represents being the director of change. Over the next decades, the leadership had been passed on from one generation to another, who directed and navigated it strategic course. With the boom of retail industry in the 60s, Dayton Department Store transformed itself from Department store format to discount retail format. Therefore, Target was born in 1962, differentiating itself from other discount stores by offering quality merchandise at discount prices. Currently, Target is known as a general merchandise and food discount stores and recognized as a leader in innovation in the retail industry. It has two segments: the US and Canadian segments with the mission… "To make Target your preferred shopping destination in all channels by delivering outstanding value, continuous innovation, and exceptional guest experiences by consistently fulfilling our Expect More. Pay less brand promise" (Target Brands, Inc., 2015).

As of 2014, Target has reached $72.6B sales from its 1,934stores; of which 1,801 are in the U.S. and 133 in Canada. It competes with retailers of general merchandise, apparel, drug stores, online and other retail formats. It is enabled by 37 distribution centers in the U.S. and 3 in Canada. The US segment offers credit card and digital channels-i.e., online and mobile, through its Target.com.

With earnings falling by 34% based on its FY 2014 report, Target was forced to make drastic changes in the organization. A new CEO has been appointed, Brian Cornell, who bravely called for withdrawal of its operation from the Canadian market (Loeb, 2015). Since 2013, Target's Canadian expansion, through acquisition of retail leases of local bankrupt Zellers stores, had not been as successful as expected and has contributed significantly to its present financial setback (Evans, 2015). Store traffic also has been trending downwards in the last six quarters due to competition from smaller discount stores and perceived decline in Target's product quality. This was also partly attributed to an incident of breach of security of its store systems which is causing customers to avoid target stores for fear of potential identity theft. Given this, Target is now pursuing small stores expansion called CityTarget. It is 40% smaller than typical Target stores and the merchandise is tweaked to meet the needs of urban residents. An even smaller format is being established called TargetExpress. The venture into smaller stores however, is being implemented at a slower pace (Team, 2014).

3. Similarities and Differences of the Changes in Wal-Mart and Target

Wal-Mart and Target's changes over its life cycle may be considered similar as it passes through various stages, from birth, to growth, and now maturity (Palmer, et.al., 2009). While Target started much earlier as a Department store, both entered almost at the same time in the retail industry in the 60s, and have been initially led to rapid expansion by its founder or in the case of Target, by the same family-owner.

The initial mission and vision of each company may have set their pace differently. While Wal-Mart was focused on offering the lowest price as its main strategy for growth, Target has been more involve in giving back to the community and venturing into other non-core business such as going into radio. It also maintained as its differentiating factor - offering quality products at lower prices, which may still not be as cheap as Wal-Mart's offer. This main difference in strategy may have caused the disparity between Wal-Mart and Target's results in terms of magnitude of growth and reach.

At the formalization stage of both company where leadership is passed on to professional managers and organizational alignment and control are being managed, operational changes were being implemented out of pressures from changing consumer preferences and social demands. Examples of such changes are: establishment of foundations and offering healthier products. Demands from growing operation necessitated change which propelled both companies to automate point-of-sales operation and establish robust distribution centers.

As it now reaches its maturity stage, both are faced with the same industry challenges. Being accustomed to pursuing year-over year using the same business model (i.e., big box stores), Wal-Mart and Target are now encountering declining same-store sales and are being dared to get out of their box to meet the economic threats and intensified competition posed by the entry of smaller discount or convenience stores, which are grabbing at their market share. In addition, with the emergence of digital technology, the growing number of online shopping competitors is another force to tackle. While both have started venturing into e-commerce as early as the beginning of 2000, and recently developing smaller stores in the US, the outcome is not as successful and immediate as its initial big box business model (Team, 2014).

In terms of expansion to international markets, Wal-Mart's strategy of replicating its business model in the US to other countries has been successful primarily due to the local partnership it fosters or its acquisition of locally known retail stores. For instance, US entered the Canadian market by acquiring 122 stores of existing Woolco stores (Wal-Mart Stores, Inc., 2015). Target on the other hand, went in aggressively on their own armed with their brand name. It overestimated the Canadian market, and had not fully prepared their distribution and marketing team to replicate its success in the US in Canada. With its cessation of Canadian operation, Target admittedly lost billions and will be causing unemployment to its more than 15,000 Canadian employees. The analyst and investors, however, applaud this brave decision by the new CEO Brian Cornell, and is seen as strategic measure to cut losses.

4. Image Analysis: Wal-Mart and Target

Wal-Mart and Target, throughout its stages of business development, portrayed three images of change, namely, director, navigator, and caretaker. These images were appropriate for both companies as their operations required a high degree of control necessary to maintain alignment of a rapidly growing organization to a common vision and/or direction of the owners/shareholders.

There is not one image that can be selected to be the most appropriate for each company since the conditions surrounding their operation are dynamic. These changing conditions make the outcome unpredictable that can result to intended change or to a completely unintended consequence. For instance, when Target pursued expansion in Canada, the former CEO may have acted as a director, possibly feeling confident of a successful outcome. As the venture became plagued with problems, his role may have shifted to being a caretaker, doing the best he can despite the challenging situations he faced, which eventually ended to his demise and that of Target in the Canadian market.

Thus, depending on potential outcomes in these two companies, i.e., intended, partially-intended, or unintended, the change manager can shift images to being a director (intended), navigator (partially-intended), or caretaker (unintended).

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