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ESG Performance and Enterprise Competitive Advantage Construction: A Case Study of Walmart

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Abstract. This essay opens with an in-depth discussion of the growing importance of ESG concepts in modern corporate management and highlights their significant role in promoting long-term corporate value creation. With the increasing global focus on sustainability, ESG concepts have become an integral part of corporate strategic planning and operational decision-making. Next, this article selects the global retail giant Walmart as a case study and uses SWOT analysis and other management tools to analyse in detail how Walmart has effectively constructed and consolidated its competitive advantages in the highly competitive market through the implementation of an active ESG strategy. The article specifically describes Walmart's practices on several ESG dimensions, including but not limited to the implementation of environmental protection measures, active support to the community, the enhancement of employee welfare, and the optimisation of corporate governance structure. In terms of environmental protection, Walmart has significantly reduced the environmental impact of its operations through measures such as reducing carbon emissions, improving energy efficiency and promoting sustainable products. In terms of community support, the company has strengthened its ties with local communities and enhanced its brand image through various community programmes and charitable activities. Employee well-being has been achieved through improved working conditions and career development opportunities, which have not only increased employee satisfaction but also enhanced the company's attractiveness. The article concludes by summarising the important contribution of Walmart's ESG practices to the company's sustainability and long-term competitive advantage and suggests possible future strategic directions and recommendations for Walmart in ESG based on current market trends and company performance. These recommendations are intended to provide valuable references and insights for Walmart and other companies in their future strategic planning and decision-making processes, especially in terms of how to balance economic efficiency and social responsibility to achieve long-term sustainable development. However, due to the limitation of data and the depth of research on Walmart ESG, the article still has limitations.

Keywords: ESG performance, Walmart, enterprise competitive advantage construction

1. Introduction

With the emergence and popularisation of ESG concept and practice globally, the need for companies to take on social responsibility in a wider context has become a consensus among all sectors. Companies in the process of internationalisation not only need to pursue financial performance and short-term economic benefits, as well as comprehensively assessing their own performance in terms of the environment, social and governance aspects towards long-term sustainable development [1]. ESG indicators have not only become an important indicator for investors to assess the long-term value of a company, but it also one of the key factors for companies to gain competitive advantage and long-term sustainable development. Then what is ESG? ESG has its origins in sustainability investing and socially responsible investing, with an early focus on excluding companies with environmental, social or governance issues. In recent years, ESG has evolved to consider environmental and social issues at the core of corporate strategy and is increasingly influencing investment analyses, processes and decision-making [2].

ESG is as well important in corporate management, especially for high-quality corporate development. ESG performance has a positive impact on high-quality corporate development, especially environmental and social performance is more significant compared to governance performance. Good ESG performance contributes not only to increasing firms' investment in innovation, which in turn increases total factor productivity, but also is particularly significant in the case of state-owned enterprises (SOEs), environmentally sensitive enterprises (ESEs), and in the case of low financing [3]. This also contributes to increasing the competitive advantage of the firm.

The purpose of this paper is to explore how ESG can be a building block of Walmart's competitive advantage by analysing its ESG performance as a global retail giant. As one of the world's largest retail companies, Walmart's practices, and achievements in the field of ESG have not only had a profound impact on its own business but have also set industry benchmarks globally. From environmental initiatives to social responsibility programmes to ambitious standards of corporate governance practices, Walmart has demonstrated its commitment and achievements in ESG integration in several areas.

2. Literature Review

The development of ESG as a concept and field of practice dates back decades but has grown significantly in importance and influence in recent years. The development process has evolved from environmental awareness and social responsibility to corporate governance concerns, to international standards in the face of globalisation challenges, as well as investor and legislative drivers. Social and consumer influence has also driven improvements in ESG, and technological advances have enabled companies to track and report their ESG performance more effectively. Overall, ESG has evolved from an ethical obligation to a widely recognised business practice, with far-reaching implications for companies' long-term economic performance and social impact.

ESG plays a fundamental role in corporate management and investment. At first, ESG factors help companies to identify and manage potential environmental, social and governance risks. Effective practices help to mitigate legal, reputational, operational and market exposures, thereby enhancing the long-term stability and sustainability of companies. In addition, investors are increasingly focusing on the ESG performance of companies, believing that good practices can strengthen long-term value and returns. Companies which focus on ESG issues are more competitive in terms of employee recruitment and retention, especially attracting the younger generation of employees who value corporate social responsibility and commitment to sustainability. Additionally, companies that actively promote ESG practices tend to earn the trust and loyalty of consumers, as modern consumers favour brands and products that excel in environmental protection, social justice and transparency in governance. ESG has become one of the key criteria by which investors and shareholders assess corporate performance, with many organisations requiring companies to publish their ESG data and strategies to assess their risk management and long-term sustainability. As global regulations increase ESG requirements, companies need to comply with relevant regulations and standards, while leading industry players take a proactive approach to ESG practices, becoming industry benchmarks and leaders and shaping the direction of sustainable development across the industry.

Overall, ESG factors are becoming increasingly important in corporate management. Environmental sustainability, social responsibility and effective governance not only enhance a company's reputation and brand value, but also reduce business risks, attract investors and consumers, and thus stand out from the competition in the marketplace [4]. The importance of ESG will continue to rise as the global focus on sustainability increases.

There are numerous companies globally that are making efforts as well as practicing research in ESG. Costco, one of the main competitors of Walmart, reduces its carbon footprint and resource consumption. The company reduces its environmental impact by using energy-efficient lighting, optimising transportation and logistics, and promoting renewable energy [5]. In addition, Microsoft has demonstrated its leadership in the ESG space through measures such as carbon neutral programmes, promotion of digital inclusion and data privacy protection. The company continues to optimise its supply chain and energy use efficiency to contribute to a positive impact on the global society and environment [6]. It is evident that companies are enhancing their competitive advantage through active ESG practices and achieving long-term sustainable growth in the global market.

3. Key Indicators and Evaluation Methods

3.1. Key Indicators

1) Environmental Indicators: According to the GRI Standards [7], environmental indicators include carbon emissions and footprint, energy consumption and efficiency, water management and efficiency, waste management and recycling rate.

(2) Social Indicators: According to SASB standards [8], social indicators include employee well-being and satisfaction, labour rights and human rights protection, diversity, equity and inclusiveness, and community participation and support.

3) Governance Indicators: According to IIRC [9], governance indicators include, among others, corporate governance structure and independence, diversity and independence of board members, ethical business practices and anti-corruption measures, shareholders' rights and transparency.

3.2. Assessment Methodology

There are a number of international standards that help companies and investors to assess and compare the ESG performance of different companies. For instance, Global Reporting Initiative (GRI) Standards is one of the most widely used ESG reporting standards in the world to help organisations report on their economic, environmental and social performance. In addition to this, Sustainability Accounting Standards Board (SASB) Standards, SASB standards focus on key ESG issues across industries and are designed to help organisations identify and report on key ESG data relevant to their operations. Dow Jones Sustainability Indices

(DJSI) is one of the world's leading sustainability indices, assessing the performance of the world's leading companies in the area of ESG. In addition, Environmental Impact Assessments (EIAs), and Environmental Management System Certification (ISO14001) can influence a company's ESG rating.

4. Analysis of Walmart's ESG performance

4.1. Walmart's Environmental Practices and Achievements

Renewable Supply Chain: Walmart's goal is to make sustainable choices an everyday choice for customers. This means identifying priority environmental and social issues, working collaboratively to reconnect the supply chain, and monitoring and reporting on progress. And Walmart's advantage in being able to achieve a renewable supply chain is that it is piloting it with its private label brands. Many of Walmart's private label items such as coffee, tea, bananas, pineapples, and fresh and frozen seafood are or will soon be 100 per cent certified by an independent third party, such as the Rainforest Alliance or the Forest Stewardship Council. At the same time, nearly 80% of operational waste is diverted from landfills, nearly two-thirds of private label packaging is designed to be recycled, reused or composted, we've reduced operational emissions by more than 20% since 2015, and nearly 50% of global electricity comes from renewable sources [10].

Supply Chain Decarbonisation: Walmart launched the Gigaton Initiative in 2017, which aims to drive decarbonisation of the product value chain through partnerships with suppliers, NGOs and other stakeholders [11]. Their goal is to reduce or avoid 1 billion metric tonnes (‘Gigaton’) of greenhouse gas emissions by 2030, with the aim of democratising climate action. Through the Gigaton Programme, Walmart is encouraging suppliers to take action in six key decarbonisation action areas that are relevant to their business. Over the past six years, Walmart has deepened and expanded their efforts by adding new tools, resources and other opportunities to accelerate supplier engagement and impact.

4.2. Walmart's initiatives in social responsibility and social engagement

Combined with the CSR pyramid model as well as the stakeholder theory analysis, Walmart is generally responsible in terms of social ethics, but still falls short. Socially, Walmart is committed to creating American jobs, achieving economic mobility and inclusiveness by employing a diverse population, investing in local, diverse, or small businesses in Walmart's supply chain, and committing to these goals by investing in American-made products, raising employee wages, providing scholarships, and employing 250,000 veterans [12]. Ethically, Walmart is committed to meeting the specific social needs of the regions in which it operates and does so by assisting with hunger and disaster relief and investing in the communities of its employees. Walmart donated $100 million in community grants in fiscal year 2017 through the Walmart Foundation [12]. At the same time, Walmart places a high value on the development of individual employees, and at Walmart, everyone has their own path to growth. We promote a culture of promoting from within, giving employees the opportunity to progress from entry-level roles to top management [13]. In addition, employees enjoy great benefits including health insurance, emotional health support, and financial benefits.

However, Walmart continues to have problems with social ethics. For example, when developing in China, it did not fully understand the Chinese supply chain and supplier culture. Walmart requires goods to be distributed according to U.S. standards, while most Chinese suppliers are still in the early stages of establishing supply chain management and logistics networks, making it difficult to match Walmart's strict management. Walmart used the retrospective method of determining commodity prices, which was contrary to Chinese custom and made it difficult for Chinese suppliers to accept. Walmart began to allow purchasing staff to charge suppliers for holiday events and refunds, leaving suppliers with very low profits [14]. In addition, Walmart has had trouble with food safety issues. In Shenzhen, Guangdong Province, China, a Walmart shop was exposed for using expired meat for prepackaged food [15], and there were major bribery issues in Mexico.

4.3. Governance structure and corporate governance practices of Walmart

Walmart's governance structure and corporate governance practices reflect the best standards of modern business. Its Board of Directors, comprised of independent and executive directors, is responsible for setting strategic direction and overseeing the company's operations, ensuring compliance with laws and regulations, and managing risk. The senior management team is responsible for executing the strategies approved by the board and ensuring that the company's day-to-day operations and strategic objectives are met. Walmart ensures transparency and financial health through internal controls, audits and risk management mechanisms, while actively promoting social responsibility and sustainable development, engaging in community programmes and promoting environmental protection. It works closely with its shareholders and holds regular shareholder meetings to share financial performance and strategic plans to enhance long-term sustainability and shareholder value.

4.3.1. Walmart SWOT Analysis

4.3.1.1. Strengths

(1) Strong Board of Directors and Senior Management Team: Walmart has a Board of Directors consisting of experienced independent and executive directors and an effective senior management team who can effectively lead and manage the company.

(2) Rigorous internal control and auditing mechanisms: The Company has established sound internal control and auditing mechanisms to ensure operational transparency and financial health, and to effectively prevent and manage risks.

(3) Active social responsibility and sustainable development policies: Walmart is committed to social responsibility and sustainable development, enhancing its image and CSR level by adopting environmentally friendly measures and participating in community projects.

4.3.1.2. Weaknesses

(1) Complex Global Supply Chain Management: Walmart's global operations face complex supply chain management challenges, which may lead to coordination and execution difficulties, affecting responsiveness and efficiency.

(2) Competitive Pressure in the Market: Competition in the retail industry is fierce, and Walmart needs to continuously innovate and adjust its strategies to meet market changes and competitors' challenges.

4.3.1.3. Opportunities

(1) Global Market Expansion: Walmart has the opportunity to continue to expand its global market share, especially in emerging markets, by adding shops and expanding its business through e-commerce channels.

(2) Technology Innovation and Digital Transformation: Walmart can improve operational efficiency, customer experience and market competitiveness by leveraging technology innovation and digital transformation.

4.3.1.4. Threats

(1) Changes in policies and regulations: Changes in policies and regulations around the world may affect Walmart's operating costs and market access conditions, increasing management complexity.

2) Economic Uncertainty: Fluctuations in the economic cycle, inflation or recession may affect consumer spending and retail sales, negatively impacting Walmart's business.

Taken together, Walmart has established a solid foundation in its corporate governance structure and has demonstrated positive social responsibility performance. However, the company faces challenges with the increasing complexity of global supply chain management and competition in the marketplace. To address these challenges, Walmart can optimise its operating model by actively adopting technological innovations and implementing effective strategic adjustments. This will not only help improve operational efficiency and customer experience, but also better capitalise on market opportunities and effectively respond to threats posed by potential economic and regulatory changes.

5. ESG's Competitive Advantage Relationship with Walmart

ESG factors are becoming increasingly important in corporate strategy, and for global retail giants like Walmart, actively practising ESG is not just a responsibility, but a strategic move to enhance market position and brand value. By optimising its ESG performance, Walmart has not only made significant progress in environmental protection, social responsibility and good governance, but has also effectively enhanced its competitiveness and long-term sustainability.

Firstly, Walmart has achieved significant environmental impact reduction through its efforts in environmental protection, such as reducing carbon emissions, promoting the use of renewable energy and reducing packaging material waste. Such environmental measures not only help to reduce costs and resource wastage, but also enhance consumer recognition of its sustainable operations, thereby strengthening its market position.

Secondly, Walmart's social responsibility efforts have strengthened its ties with its employees, consumers and the community through measures such as improving employee benefits, supporting community programmes and promoting diversity and inclusion policies. These initiatives not only help to enhance employee loyalty and consumer trust, but also establish a good corporate image for the company and enhance its brand value and market competitiveness.

Finally, in terms of governance, Walmart has ensured the transparency and compliance of the company's operations through the establishment of an efficient board structure and a transparent financial reporting system. Such good governance practices not only enhance investor trust, but also help to reduce the legal and reputational risks faced by the company, thus enhancing market competitiveness.

Overall, by actively practicing ESG, Walmart has not only earned a sustainable advantage in the global retail market, but also laid a solid foundation for future growth. By integrating ESG principles into its strategic decisions and daily operations, Walmart has demonstrated its commitment to environmental protection, social responsibility and good governance, further strengthening its position as an industry leader.

6. Walmart’s Competitive Advantage Construction

Walmart, as one of the world's largest retail companies, has a competitive advantage that is built and integrated in several ways:

1) Economies of scale and supply chain advantages: large-scale purchasing power. Walmart has gained a great cost advantage through its huge purchasing volume and is able to purchase goods from suppliers at lower prices, which in turn provides more competitive prices to consumers. Efficient Supply Chain Management. The Company has established a highly optimised supply chain network, including logistics, inventory management and distribution systems, to ensure that products flow efficiently and reach each shop in a timely manner, thereby reducing inventory costs and improving service levels.

2) Strong brand and market position: global awareness and trust. The Walmart brand enjoys wide recognition and a high degree of trust around the world, which makes consumers more inclined to choose its products and services, thus increasing sales and market share. Extensive distribution network. Walmart has an extensive network of shops around the world, covering both urban and rural areas, which meets the shopping needs of different consumer groups and enhances its market penetration and influence.

Technology and data-driven operating model: advanced data analytics and artificial intelligence technology. Walmart has optimised its inventory management, market forecasting and customer personalised marketing through big data analytics and artificial intelligence technologies, enabling it to respond more quickly to changes in market demand and improve sales efficiency and customer satisfaction. E-commerce and mobile technology innovations: The Company continues to invest in online retail and mobile payment technologies, expanding its online sales channels and enhancing the ease of interaction and experience with consumers.

Diversified Product Portfolio and Services: Broad product assortment and brand coverage. Walmart offers a diverse range of products covering a wide range of categories, including food, household products, and electronics, to meet a variety of consumer needs and preferences. Value-added services and added value. In addition to merchandising, Walmart provides value-added services such as financial services, pharmacy services and healthcare services to provide consumers with an all-round shopping experience.

Through the construction of the above competitive advantages, Walmart not only establishes a leading position in the retail industry, but also is able to continue to increase its market share and adapt to market changes, maintaining long-term competitiveness and sustainable development.

Walmart's competitive advantage strategy in ESG has had a profound impact on its market positioning, brand differentiation and consumer recognition:

Market Positioning and Strategic Differentiation: Emphasis on Sustainability. Walmart has strengthened its leadership position in the global retail market by actively practising environmental and social responsibility, such as reducing its carbon footprint, promoting renewable energy and supporting supply chain transparency. This sustainability strategy not only meets modern consumer expectations of corporate social responsibility, but also enables it to differentiate itself in a highly competitive market.

Brand differentiation and reputation management: enhancing brand value. Walmart has built a corporate image based on responsibility and transparency through its long-term commitment to ESG practices. This brand image not only enhances consumer trust in its products and services, but also earns it a competitive advantage in the marketplace, especially in the retail space where consumer brand loyalty is relevant.

Consumer recognition and market response. Enhancing the Consumer Experience: Walmart's ESG practices are not only reflected in the company's internal operations, but also enhance the consumer experience through direct interaction with consumers. For example, by offering sustainable product choices, supporting community projects and improving working conditions, Walmart enhances consumer recognition and goodwill towards its brands.

Market Response and Competitive Advantage: Consumers are increasingly inclined to support companies that excel in environmental and social responsibility. Through its ESG advocacy and actions, Walmart attracts a larger group of environmentally aware and socially responsible consumers, thus expanding its market share and consolidating its competitive advantage in the market.

In summary, Walmart has not only gained significant advantages in market positioning and brand differentiation, but also enhanced consumer recognition and loyalty to its business through its committed ESG strategies and practices. These measures have not only helped to enhance the company's long-term competitiveness, but also pushed the entire industry towards a more sustainable direction.

7. Conclusion and Suggestion

Walmart has demonstrated significant performance and competitive advantages in the ESG area, with key findings including its enhanced environmental responsibility by reducing its carbon footprint and promoting sustainable sourcing, as well as its social responsibility by supporting community projects and upgrading the working conditions of its employees. In terms of governance practices, following the exposure of food safety issues, Walmart decided to introduce new technologies such as blockchain to enhance food transparency and traceability. In addition, they established the Walmart Food Safety Collaborative Centre (WFSCC) in 2016 with the aim of enhancing food safety and security [16]. These types of decisions involve a variety of aspects such as new technology adoption, resource investment, and partnerships, and must be thoughtfully considered by senior leadership. The creation of a WFSCC also requires thorough market analysis and evaluation to determine the best response strategies and partners [17]. Analysis of the external environment shows that the health awareness of the Chinese population has increased significantly [18]. Such decisions by Walmart can help to enhance its CSR image and improve its credibility and image in China. However, procedural decision-making may lead to a lack of consistency and standardisation as standards and methods may differ between decision-makers, affecting the company's consistency and traceability in terms of food safety (Su, 2023). Walmart has established effective monitoring mechanisms and ethical standards to safeguard the company's transparency and integrity. Future research directions include deepening sustainability management in the supply chain, strengthening community engagement and project impact assessment, enhancing the transparency and effectiveness of corporate governance, and exploring the application of new technologies in ESG practices, which will help Walmart to further enhance its leadership and performance in the ESG field.

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