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ASSESSMENT 2

Walmart and The change of Anti-Unionization HR Strategy

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Introduction

Currently, corporates are considering the human resources to be the worthy assets which can bring back significantly competitive advantages in the business environment (Wright & McMahan 2011). Human resources development involves in many strategies and activities of a certain company, in order to ensure the improvement of employees' capabilities and working skills. In every company, the existence of HR strategy has been helping the company to avoid unforeseen consequences of poor practices and the influence on the performance of the business (Davila et al. 2012). As the world economy has been experience the globalisation process, businesses are becoming multinational company. More companies open and operate their factories or subsidiaries in China, facing several issues in terms of institution and culture during its operation. As a result, institutional and cultural factors of Chinese have had impacts on the human resources strategy. Accordingly, human resources strategy should be adjusted in order to be suitable with the culture and regulations of the local countries (Hensel 2019).

This essay will provide an overview of Walmart and its anti-union HR strategy. Secondly, an analysis of the company's change in HR strategy in China using Kurt Lewin Change Model shall be provided. Last but not least, the organizational structural choices of Walmart shall be examined in this essay.

Findings and Analysis

1. Company Background

Wal-Mart Stores, Inc., commonly known as Walmart, is an American multinational retail company which has been famous for its effective business in retail industry when runs a number of hypermarkets, department and warehouse stores. This is the biggest public company of the world as listed by Fortune Global 500 list in the year of 2014. Also, Walmart is largest retailer in the world when it operates about 12000 stores in 27 countries which operate under 55 names as of July 31, 2019. Walmart is a family-owned company which is managed by Walton family, holding over 50% of Walmart (The Atlantic, 2019).

It is introduced to the world in 1962 by Sam Walton with the headquarter in Bentonville, Arkansas. To date, Walmart is one of the world's biggest employer with 2.2 million employees. Regarding the value, Walmart is the biggest grocery retailer of the United States in 2019 (Hensel 2019). The America's retail company offers a wide range of products such as mobile phone, clothing, a variety of health products, which are sold in Walmart supermarkets.

As the company founder Sam Walton oriented, Walmart's strategy is to be the dominance of the retail market by being discount retailer and expansion in the international market (Brenner et al. 2006). To be the leader in retail sector, Walmart was built to become a company with a chain of stores which offer everything a person may need at low price. Meanwhile, one of Walmart steps to expand internationally is that Walmart started its business in China in 1996 by opening a supercentre and Sam's Club in Shenzhen. This supercentre provides a "one-stop shopping experience for customers" (The Atlantic 2019). Currently, the company has opened 433 retail units in China, consisting of 412 Walmart supercentres (Hensel 2019).

2. Walmart's anti-unionization HR strategy

For years, Walmart has been widely known for its policies against labour unions and has been received so much criticism for them. Since being established, Walmart has been tried to be the dominance in labour relations. They have fought several attempts by their employees to unionize. Wal-Mart strongly against the policy of the Union. According to the company's point of view, unions is "a waste of money" and "want to hurt Walmart (Lichtenstein 2008). In a training session for the company's managers in Indiana on the way to remain "union free", Walmart made statements that all management levels of the company must understand and commit to stay union free. From the stance of the business, union organizer is a potential rival for them (Chan 2007).

Not only commits in words, Walmart show its commitment to remain the policy of anti-unions in its Human resources practices. Firstly, the company's managers must call the Union Hotline when discovering the first signals of union and the "Labour Relations Team" is in charge of examining the situation. What is more, workers of Walmart affirmed that this Team go frequent visit to frighten workers who tries to unionize. For all new employees, they are shown propaganda video saying that joining union is bad for them and it is better for employees to never sign a union card (Hensel 2019).

As a result, there is not any union of Walmart or its distribution centre in the U.S. In another country, Canada, the situation seemed to be a little bit luckier when the local labour board recognized the union of 190 workers of a Walmart store in Quebec. However, the company gained the upper hand because they announced to close the store in September 2005 due to low profitability, before workers succeed in reaching an agreement with the company (Hensel 2019).

For many years, Walmart is almost entirely no-union while all of Walmart's competitors are unionized. They decided to be contrary to labour laws to keep its operation expenses as low as possible (Bernstein). Although Walmart think that employees are happier this way, the fact is

not simple like this. Employees of the company are less pleased with the company's ban to unionize. Because Walmart does not have unions, employees have no place to find out solutions for their problems (The Atlantic 2019).

3. Analysis of Walmart's change using Lewin's model

Walmart, after becoming the king of retail sector in the U.S market, started having eyes on areas beyond the home nation. The company targeted China in 1996 through a joint venture agreement and its first store in China was located in Shenzhen. Entering in a new market, Walmart chosen to change itself in Human resources strategy and labour relations thanks to the following factors:

3.1. *Forces for change*

The change here is a proactive process of reform, aimed at creating more competition for the organisation. Change is the transition from the old state to the new state, the removal of the old from the past and gain the new to the future (Beckhard 1987). The change can range from big things like restructuring, reorganising parts operations, applying new processes, technologies, etc. to small things like reorganizing operating styles, changing products quality, etc. For organisations, the ultimate change is to improve the quality of operations, quality of product to keep competitive and develop advantage, therefore increasing the performance of the organisation.

Organisational change is a change in the whole organisation that is fundamentally change in the way the organisation operates, to create greater competitiveness for enterprise. It can be said that it is a continuous, complex and unprecedented process so it is hard to manage and react to. What are the reasons that force any organization to change itself? Many previous researches have shown three reasons why organizations must make changes regularly which come from internal and external

3.1.1. Internal factors

The internal factors here can be shown through human resource, corporate culture and the company's reputation itself.

Human resources put pressure on organisations to change when the employees are always struggling to increase wages, reduce working hours and better working conditions. When the organisation changes to improve employee satisfaction, it will motivate employees to feel more attached to the company and want to devote more to the company. This will contribute to improving labour productivity, increasing economic efficiency for the company. When there are better economic conditions, the company will be able to bring better salaries and benefits to workers. The constant change of the organisation and the company to respond to the change in demand from employees is like an endless circle, with the close connection between these two elements.

Another reason that leads the organisations being forced to change is the corporate culture, or the way people handle things . It is a number of values including beliefs, core values, culture and conduct among individuals in the organisation. These are the important factors which will affect the performance of a company. The negative consequences of the delay in changing, corporate culture are low morale employees, high employee turnover rates, complaints from customers, work efficiency suffers bad influence, unhealthy workplace culture.

The key issue here is that organisations need to change their culture before these unexpected situations become out of control (Alvesson & Sveningsson 2008). There are two very important factors to create a change in corporate culture: the support of all employee members and the new way of approaching and coaching culture of leaders. The leaders must be at the forefront of regulating their behaviour and be consistent in changing. Members need to understand what is expected of them and how to show new behaviours in reality. Especially for companies like Walmart when entering foreign markets, where there are completely different working cultures, creating an invisible and difficult to erase wall without knowing how to change the

local original culture of the company to match the culture in the country that Walmart is invading.

The reputation, or brand value of any business, is also the core value and vital in business, because it will be the top criteria when the partners decide to cooperate with brands and businesses or not. Especially in the era of information explosion today, making information exchanged at almost instantaneous speed and in almost every field, covering almost every territory. Things that make up a business's reputation include size, revenue, employee compensation, social security policies, environmental protection, business credibility, customer care, and so on. The change of the organization to keep credibility for itself, is to change to adapt, respond, maintain sustainably and continuously improve to enhance the listed reputation values. The simplest example is, when realizing that a supplier does not guarantee the quality of goods, the company should change to another supplier, not just because it's cheap to continue choosing that supplier (Chan ,2006).

3.1.2. External factors

Changes caused by external factors can be short-term or long-term effects. For example, due to changes from the legal system, changes from investors such as pressure on dividends, changes from customers, such as customer loyalty, customer input and feedback, etc. also forces administrators to make the necessary changes (Chen, 2009)

Firstly, the social causes mean that the society always moves upward, at the same time, the general trend of society has an impact on organisations and individuals, for instance, there is a change in market and consumer trends, demands and so on. Therefore, organisations need to change to adapt to the new society (Kanter 1983). For example, when entering the Chinese market, Walmart must understand that the consumer trend of Chinese people coming to the supermarket is organic, eco-friendly, nutrient-rich and clear source of food. The most important thing of food is fresh, small package which can be touchable, totally different from America. Since then, Walmart needs to change the layout and display of their products more reasonable to suit the Chinese tastes (Chan, 2008).

Secondly, economic causes happen as the changing trend in the economy has an unshakable strength, such as fluctuations in markets, cash flows, changes in the economy, globalisation, integration, etc. (Luecke 2003). The form of competition has changed so much that organisations have to change accordingly. The changes from competitors such as adding new products, lowering prices, increasing values, etc. are the reasons to think about changing. Economic changes always occur when there are political changes. For example, recently, the US-China trade war has led to countless economic consequences for US businesses in China. Walmart is forced to change to adapt when there are signs of an increase in the price of imported goods, or the Chinese people's opposition policies towards the US by stopping to buy goods at this supermarket chain (Fishman, 2003).

Thirdly, the speed of change of technology is getting stronger and faster. Therefore, organisations need to learn and research carefully about technology because it is extremely important for organisations (Peter & Waterman, 1982). Outdated technology will lead to lower productivity, high raw material and energy consumption, environmental pollution and products that do not meet high standard of the society. Therefore, advancing in technology for businesses, effective in production activities is a matter of concern for managers. Technological innovation will create momentum for businesses to grow and integrate into an increasingly dynamic business environment. For example, in the supermarket industry, the use of artificial intelligence is becoming commonplace in logistics, scanning for defective products, preventing theft, self-checkout, simple accounting jobs, or creating virtual supermarkets so that consumers can shop without going directly to supermarkets. Walmart also needs its own technology change strategies to keep up with this trend (Han, 2006).

Fourthly, government laws and regulations are important factors that force the organization to change. The law has affected jobs in many ways, brought about changes, generally better, in labour relations. In the past, for example, workers were forced to work overtime bluffingly, but now there are regulations that limit the maximum number of overtime hours to protect through a series of labour laws. There have been many studies showing how strong the governance role of the State is expressed through the application of law to practice. Especially, for the company

which operates in a foreign country like Walmart, it is affected by politics and the government laws and regulations of the host country significantly (Zhang, 2006).

Entering the Chinese market, with so many challenges both inside and outside the company, that forced Walmart, famous for its anti-union policy, to make a historic change in HR strategy. In detail, Walmart allowed employees not only to join unions but also to form communist party branches. In the next section, Kurt Lewin's model of change will be used to analyse Walmart's change program in the number one potential market China (Liu 2007).

3.2. *Lewin Change model*

Kurt Lewin was honoured as a master of the science of applied behavioural theory in change research and planning activities. The basis of the model is the strong belief in morality in democratic institutions and democratic values in society. Only broad citizen participation can deal with the social conflicts stemming from autocratic and authoritarian regime.

According to him, to successfully change an organisation, requires breaking the freezing of the status quo. The status quo can be considered the current equilibrium of the organisation. In Lewin's 3-step model, change is the process of moving from an old to a systematic one (Lewin, 1947).

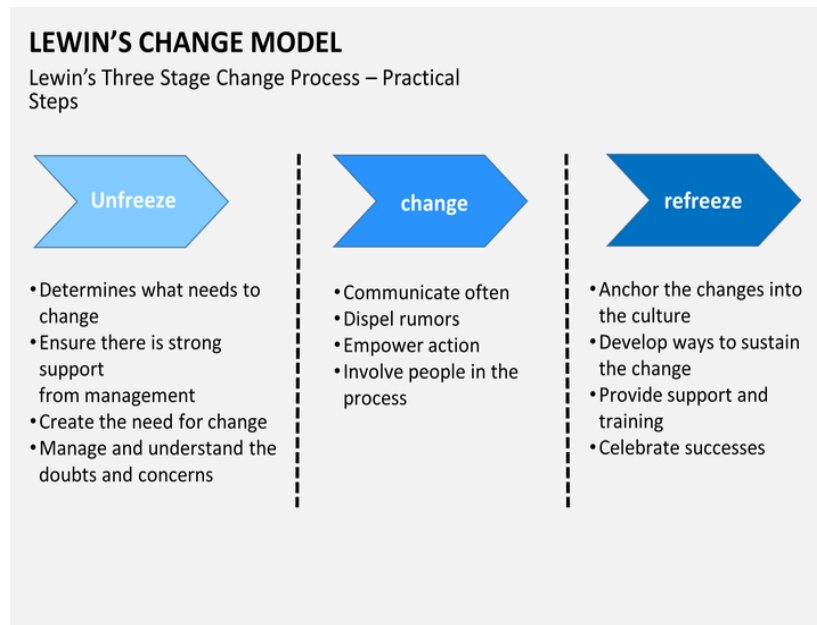


Figure 1: Lewin's Change Model

Source: Lewin (1947)

The process of change in an organisation takes place in three steps:

- Breaking the old habits (Unfreezing);
- Change to a new state (Change);
- Set new habit (Re-freezing).

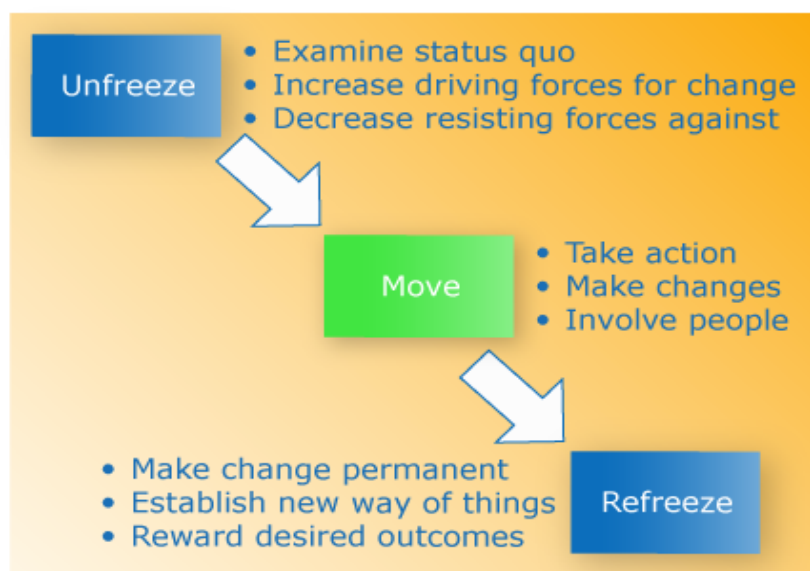


Figure 2: Process of Change

Source: Lewin (1947)

3.2.1. Unfreezing Stage

Unfreezing is the process by which employees realise the need for organisational change. The change may be the retrofitting of machinery, change in organisational structure, a new performance evaluation system, etc. The organisation requires to make change efforts to deal with the pressures as well as old habits, behaviour and thoughts that hinder change of individuals and groups. In this stage, it is necessary to attract the commitment and active participation of all involved members, inspiring high pressure of change. But first and foremost, this process first needs the involvement and inspiration of the leaders, fully aware of the importance of change for the company as a whole (Luecke ,2003).

Any change will upset the status quo of the organisation and will generate resistance. Such resistance arises from many causes. In the case of Walmart, leaders do not want to form labour unions or labour- relation organisations because of increasing direct costs, reducing current profits concerns (Chan, 2006). At the same time, they also want to “keep face”, because this policy has been maintained for a long time by Walmart and seems to become a “brand” of this supermarket chain. Concessions or decisions to change policies can disrupt their face. Perhaps it is due to fear of the unknown, that is, fear of change will bring risks, the fear of changing old habits into completely unfamiliar things, causing the whole organization to be confused, disoriented, or even out of control.

During this defrosting period, the resistance is inevitable, just the issue of little more or less, for a short or long time only. The protest usually takes place at the beginning of the change process. At this time, the leader or employee does not see the effectiveness and benefits of the new for the organization as well as for themselves. They are angry with the disturbances going on, angry with what they are required to do. Therefore, they protested with any information regarding the new. Walmart, too, with the mindset of exclusion from the union - what they call remnants of communism, is so opposed to unionization in their organizations, and they absolutely don't want to change this (Chan 2008).

The problem is that Walmart has so far addressed issues that are supposed to be the main function of the union – dealing with workers’ rights and requirements - effectively without the existence of this organization in their company. Certainly, Walmart would oppose having to form a union. Therefore, in order to melt the protest, Walmart employees and the Chinese authorities have applied the following three ways to force Walmart to change (Liu, 2007).

During the trade union campaign at Wal-Mart Group, the All-China Federation of Trade Unions (ACFTU) at the central level directly took the initiative in mobilizing its organization’s resources to make a breakthrough. More importantly, ACFTU has implemented a bottom-up solution, that is, instead of asking employers to form trade unions, it has directly mobilized ordinary workers to let them form and join unions (Chen, 2009). Later, when workers learned the law, they secretly gathered and got the signatures of 25 people, the minimum number to form a union, and use it to negotiate, as well as create pressure, force Walmart leaders to let them form unions. Recognising the strong interest and support for the union of both employees in the company and the local government, Walmart took the first “refreezing” action when accepting the establishment of the first union in Jinjiang on July 29, 2006 (Goldstein, 2003).

3.2.2. Changing Stage

During this period, the organisation needs to provide new information, behaviours, ways of thinking and perceptions to its employees. In addition, the organisation needs to support the employees to learn new skills to apply to change . During this period, the organisation needs to help workers get used to the new behaviours and attitudes and normalise those behaviours. Furthermore, they should support employees through mentoring and counselling that help stabilise the change.

Therefore, Walmart introduced a mechanism to demonstrate the facilitation of union development. It is a memorandum of understanding signed on August 16, 2006 with ACFTU, which contains strict provisions regarding the role, the number of members, responsibilities and rights of trade unions in the organization, especially power in protecting workers’ rights

(Han 2006). After that, this memorandum was informed to all Walmart stores in China to come into operation, with many practical reports and activities, events held.

3.2.3. Refreezing Stage

Refreezing to stabilise change by creating a balance between the forces that occur the change and the consequences. It is important because without this stage, the organisation might return to the old self while the change will be ignored. To avoid that, Walmart has strategies to deal with the problem of union presence in the company, which is making it under supervision, management and control of the company. At that time, Walmart not only met the requirements of the government, pretend to follow the wishes of workers, but also putting trade unions in its sights (Chan, 2007). Thus, it is clear that Walmart has made a change in the organization, in the way of management, but finally reshape it so that does not take too much effort and thought for it (Lichstenstein, 2008).

4. Examine the organizational structural choices

As noted above, Walmart has made strategic choices to deal with the option of forming a union at the company. Specifically, Walmart has implicit rules about the union's personnel, in which the head of the union is also the leader or leader assistant of the company - who tends to support anti-unionization. Second, with union activists, there is a high chance of being fired suddenly for unreasonable reasons (Zhang 2006). Third, Walmart has transformed the union into a club-style, which obscures its true role and limit union power. For example, when dismissing employees, or when creating new compensation mechanisms, Walmart did not consult the union as stated in the memorandum (Liu 2007). Or, the company will find ways to limit union funds, which will lead to extremely difficult union activities. Finally, the bottle is new and the wine is old, Walmart continues to maintain policies to support employees to solve their requirements directly to lose their trust and expectations in the union organisations (Fishman 2003).

Conclusion

Thus, using Kurt Lewin's 3-step change model, the story of Walmart's organisational change was analysed in detail. From there, we can see the internal and external causes that make Walmart accept the change, the way Walmart changes, adapts and reshapes that change. Clearly, the union's success at this retail empire is still a question.

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