

Characteristics Of Good Indicators

Executive Summary

Monitoring is used to track the tasks or direction of the organisation so that corrective measures could be taken before it is too late. For monitoring to take place, indicators should be developed. Indicators points to a situation, an event or a circumstances. Indicators tells where you are in present, where will you be in the future, and what should be done to reach the destination. It alerts you in the case if you are moving in the wrong direction so that things can be resolved before it gets too bad. Only after the area of deviation is discovered, task of monitoring can be proceeded. As these two are inter-related and very important for sustainability, good monitoring system and indicators should be developed.

In this report, Walmart's sustainability is studied in order to have clear understanding on how these indicators and monitoring system works. Walmart is known for its low cost strategy and is one of the most successful corporations in the field of retailing. It has innovated and adopted many strategies to become sustainable but it is also not free from criticisms.

Any corporations' sustainability can be examined with three sustainability dimensions: economic, environment and socio-cultural. If the organisation is able to fulfil people's want and requirements by adopting environment friendly techniques for production and distribution and yet earns sufficient amount of profit then that type of organisation can be called sustainable. Walmart is also sustainable to far extent as it's been selling its products on most economic price and yet making billions of profit each year. And it's been following environment friendly techniques and doing a lot to fulfill the desires of its employees and local people.

Although, it is following sustainable patterns, it is not yet completely sustainable especially in the social aspects and to some extent in environmental aspects. So, development of indicators for monitoring will be fruitful for the identification of the areas of improvement.

Sustainability is not easy to achieve. Succeeding in certain area, say economic, is not enough. Hence, Walmart can be more sustainable if it devotes few of its effort towards socio-cultural aspects. People are the king in any kind of business either they are employees, or local community people or the customers. If they are satisfied, only then company can last longer.

INTRODUCTION

Monitoring is one of the most important managerial works. We formulate plans and policies to meet certain targets but it is not sure that the activities performed are well

enough to achieve the target. Monitoring system helps to track the activities and report whether the operation are being conducted in the pre-defined manners.

According to Robert Lahey, president of REL Solution Inc. , Canada, monitoring system is used for monitoring the performance and it is the continuous collection of information and data in a systematic fashion so as to provide an ongoing indication of how an organization, program, etc is performing.

Monitoring system alone is not enough to track the activities of an organization. Monitoring and indicators must go side by side. In order to find out that the particular activity is going on a right direction or to find out the problems on certain area, indicators are required.

Indicators are measurements that points to an issue or condition or event which is unusual than what is expected. Its main objective is to indicate the point of deviation and help to determine an appropriate direction to be taken for its solution (Maureen Hart., 1999) . Those which only measures events or issue and donot point out a particular issue which needs to be monitored, then those are simply called measurements and have no connection with monitoring.

Monitoring systems and indicators are inter-related. If the monitoring systems adequately tracks the performance then only the point of problems, reasons for such problems and solutions to those problems can be effectively indicated. So the monitoring system should be good enough. Therefore, the monitoring system should have following characteristics:

User-friendly means of understanding.

Cost effective

Specifies which policies are most critical to the strategic objective

Provides the rationale for how future performance targets are set

(USAID, 2000)

In addition to a good monitoring system, effective indicators having following characteristics should also be developed:

Characteristics

Description

Relevant

Provides the information which is useful and necessary

Easy to Understand

People of every level can understand it

Reliable

Should provide the fact or true information and should be trustworthy

Accessible data

Data should be available as and when required

Table – 1 : Characteristics of a Good Indicators

(Source : www.sustainablemeasures.com)

For the sustainable development, development of indicators is useful in every important phases. It plays vital role from making plans to evaluating the results. Significance of indicators in different phases are shown and explained in following section:

Developing

Indicators

Plan

Act

Evaluate

Fig 1: Developing Indicators in Plan-Act-Evaluate Phases

Source: www.communitiescommittee.org/fsittool/Chapter4.pdf

Indicators are used during planning phase to formulate realistic, meaningful and achievable goals. Indicators help in defining clear goals. Indicators are used in acting phase to identify which direction to take for the achievement of the set goals. Finally, indicators' main task is during evaluation phase. In this phase, indicators are used to check the current activities are leading towards right direction or not and if not what should be done for correction. (Measuring Progress, "n.d.")

As development of indicators is very important for planning, acting and evaluating phases, it is necessary to properly develop these indicators. In general, following steps need to be followed while developing sustainable indicators:

Step A: Define Indicators' Purpose

Indicators are developed for certain purpose. It could be related to people, environment or economy. Whatever be the indicator, its purpose should be defined clearly so that it will be easier to understand its contribution on achieving the goal.

Step B: Identify Potential Indicators

There may be many indicators with same purpose. But it is impossible to consider everyone of them. So, next step is to identify those indicators which donot leave the critical issues.

Step C: Select Indicators for Implementation

After identifying number of potential indicators, it is necessary to select the indicators which are to be implemented. This step is important because it will be difficult and less result oriented to implement all potential indicators. So, it is fruitful to further short the potential indicators on the basis of thiercharacteristics. According to the Guide to Sustainable Indicators (Maureen Hart., 1999) , it is better to select the indicators with following characteristics:

Relevant

Understandable

Reliable

Timely Information

Clear and Easy to Measure

Step D: Set Targets

Next step is to set the targets for the indicators. Targets are the goals or objectives of the organization which they wish to achieve within certain time period. Indicators shows whether the targets are met or not and if not met then reasons for the same. But the indicators are unable to report the progress towards the target and reasons behind certain issues then those should be replaced with the new ones.

Step E: Collect Data / Implement Indicators

For the implementation of the data, sufficient amount of data should be collected so that the indicator can measure what is intended to measure. We should not only base our measurement on the data available or on the data which is easily available, instead a lot of time and effort should be invested for the collection of the data for the indicators to be properly implemented.

Step F: Evaluate Indicators' Usefulness

Lastly, it is time to show the result collected after implementation of the indicators and to examine whether the selected indicator is useful in depicting the trends and in evaluating whether

Step A:

Define Indicators' Purpose

Step B: Identify Potential Indicators

Step C: Select Indicators for implementation

Step D:

Set targets for indicators

Step E:

Collect data / implement indicators

Step F: Evaluate Indicator Usefulness

Fig 2: Process of Developing Indicators

Source: www.communitiescommittee.org/fsittool/Chapter4.pdf

THE ENTERPRISE

At present most of the companies are becoming environment concerned and are directing their activities towards proper utilization of the environmental resources so that the environment is not adversely affected while fulfilling the needs of the people. In short, organisations are moving towards "Sustainable Development" . It is a pattern of economic growth which is not only limited to present but also extends to the future by fulfilling the human needs by preserving the environment so there arise no problems in fulfilling the human needs in the future generation. (Wikimedia Foundation, Inc., 2012). One of the US companies adopting Sustainable Development pattern is "Walmart" .

Walmart is one of the largest public multinational retailer corporation providing its services worldwide.. It was founded in 1962 by Sam Walton and incorporated on October 31, 1969. Its headquarter is located in Bentonville, Arkansas. U.S. have 8,500 walmart stores in 15 countries with 55 different names. The company operates with various names in different countries. It operates as Walmart in the United States likewise in Mexico as Walmex, in the United Kingdom as Asda, in Japan as Seiyu, and in India as Best Price whereas it has wholly owned operations in Argentina, Brazil, and Canada. 'Apparel/Footwear Specialty, Cash & Carry/Warehouse Club, Discount Department Store, Discount Store, Hypermarket/Supercenter/Superstore, Supermarket' are the services provided by the Walmart. In 2012, it generated a revenue of US\$ 446.950 billion with net income of US\$ 15.699 billion.

(Wikimedia Foundation, Inc., 2012)

It is a multinational company having its stores all over the world. At present, it is in its rising phase. Its stores, to the higher level, are successful to fulfill the desires and requirements of the people in an environment friendly manner. It has made it possible to the people to buy those products which were previously beyond their capacity. It has enabled the people to buy the products they want at very affordable prices. It is successful to meet economic and social requirements of people by keeping in mind the environment factors as well.

Along with this, it has helped in increasing productivity in retail trade. Now a days, workers in retail trade are becoming very active by selling more goods and getting many goods to the consumers than they used to do few decades back. Increase in productivity leads to production of more goods per hour and in return it results in higher sales, rising wages, rising living standards of the workers. Increased productivity means more products and lower product price. So, consumers can get the products in the price lower than they have expected. Hence, Walmart creates consumer surplus. Consumers can then use the surplus amount saved for other purposes. As Walmart sells the price in very affordable price, people of any income level can buy goods of requirement. People who were previously unable to buy the goods they want due to lower income level are able to get those things with the help of Walmart. Walmart is a big incorporation. (Vedder, "n.d.") Establishment of a Walmart store in any community requires 300-400 workers. It hires 600000 new employees each year. Walmart, to some extend, minimizes the unemployment problems. (Theroux, "n.d.")

Although Walmart is able to revolutionize the area of retailing, it is not free from criticisms. It is stated earlier that Walmart creates jobs but it also costs job. It costs the job of local people of the community where its store is opened because local firms phase out of the business because it is impossible for them to compete with the Walmart store. In return, workers of that local firms lose their jobs. Next is that the wages paid to the worker by Walmart is not sufficient to the workers. Wages are comparatively lower than they need to be and lower than they should be and lower than what is appropriate. Lower wages leads to lower living standard of the workers. Other criticism

is that Walmart pay less attention to the health and safety of the workers as it does not provide health insurance for its workers. In addition to this Walmart is posing a burden to the government because its workers are on Medicaid due to which it receives subsidies increasing taxpayers' burden. Finally, Walmart is not completely environment friendly. It hurts the environment. (Vedder, "n.d.")

It is necessary to bring some changes in the activities of the Walmart. Although it is doing its business to get maximum profit by satisfying the consumers' need, it hasn't been able to see the dark side of its business tactics. For the sustainable development, it has to focus on all dimensions of sustainability. In order to reach the state of sustainability from present state plan should be made before doing anything. Following steps of planning will be helpful for this purpose:

Setting Goal : Before moving ahead, it should be determined in which sector improvement is required and with respect to that, target should be set. Goal should be that which is currently not in our possession but we want to have it in the future. In the case of Walmart, "Achieving Sustainability" would be the main goal around which other sub-goals move.

Collecting Information: After setting goal, next step is to collect as much information as possible regarding current situation and areas of improvement which will help in planning further for the achieving the main target. In case of above mentioned target, information regarding workers' condition, nature of products, customers demands, etc would be helpful.

Weigh options: Only one option is not sufficient for the attainment of the goal. So, many alternatives should be built and priority must be given according to their contribution for the attainment of the goal. For achieving sustainability, some of the choices may be producing environment friendly products demanded by customers in most economical way, providing employee benefits, promoting deserving workers in managerial position, making production eco-friendly, and so forth.

Direction: After ranking the alternatives, next step is to formulate a set of action which should be performed. That action on which other action are dependent should be chosen as the first thing to do. In our case, every action is dependent upon the workers. Satisfied workers means higher productivity, well treatment to the customers, increased goodwill, increased sales, and so on. So, first thing to focus on is to satisfy the workers.

Take action: After deciding on the initial step to be taken, now it is time to make it really happen. This could be regarded as the most difficult task. In our case, in order to satisfy the workers, we should find out the ways to satisfy them. It could be done through raised wage or friendly behavior or cozy working environment or promotion or incentives. Whichever is the best way to achieve should be taken into action so that other related task or other important task could be performed immediately.

Adaptation: This step is for future. After making all the plans for the targeted goal things may change. Instead of sticking on old plans we should be able to adapt in current situation and act accordingly.

Sustainability Dimensions

Walmart has wide range of products. These products in one way or other ways contribute to each dimensions of sustainability. Following section explains three dimensions of sustainability with reference to Walmart:

Economic Dimensions

With the slogan "we save people money so they can live better", Walmart is recognised as one of the largest retailing corporation with lower product price. Walmart has become able to sell its product in lowest cost due to their cost effective operations. They are increasing productivity by reducing wastage in various activities like in packaging, fuel consumption and also by reducing energy consumption. As per the Global Responsibility Report published by Walmart, it achieved 80% reduction in wastage by implementing Zero Waste Program. These activities have led Walmart towards lower production cost and increased productivity due to which Walmart is successful in fulfilling its mission of saving people's money by selling its products in lowest price. Lowered product means higher product demand, higher demand leads to increased sales and eventually towards higher profit. For the sustainability of any organization, finance plays a vital role. It is regarded as a life blood of any organization. Hence, sustainability depends upon the rate of sales and profit earned. In this regard, Walmart is somehow sustainable because its this year's revenue is US\$ 446.950 billion and operating income is US\$ 26.558 billion but its net profit has decreased to US\$ 15.699 billion (Wikimedia Foundation, Inc., 2012). As its net income is decreasing, it should make effort in increasing it.

Socio-Cultural Dimensions

This dimension of sustainability deals about the company's responsibilities towards the society in which it is operating and the people with the help of whom it is moving ahead. Walmart's products are energy efficient and provides wide range of sustainable products. These products are of no harms to the customers. It is also making continued improvement of healthy and safety performance so that none of the employees of the stores become victim of unsafety activity. Walmart has also set various social responsibility targets with a view for the sustainable development of communities affected by its operations. These targets include:

Giving high priority to locally grown products which leads to the development of economic condition of local producers of farmers. (Loveearth, "n.d.")

Supporting women around the world by sourcing women owned business, providing trainings to women and supporting women empowerment programs. (Globe Communications, 2012)

Preserving the rights of individuals, indigenous people and communities and of the employees in terms of same working environment and employment terms. (Loveearth, "n.d.")

Hence, the products and activities of Walmart stores have made improvements in social welfare. But on the other side, it hasn't been able to meet all of its targets. It is criticized on paying below average wages to the employees, not providing employees benefits to all the workers, making no certainty on staying at a particular place, and so forth. It is difficult to even imagine the sustainability of any organization if it is unable to satisfy its workers and local people.

Environmental Dimensions

Walmart is aimed toward building a sustainable future by making proper utilization of environmental resources which are available in limited amount. Walmart's three primary sustainability goals are environmental concerned which includes 100% renewable energy, creating zero waste and selling products that sustain people and environment.

Its products like Energy Star-rated air conditioners, compact fluorescent light bulbs and variety of organic foods are some of its environmental friendly products basically focused on saving energy. As per the Global Responsibility Report, 2012, released by Walmart, it has achieved 80% reduction in wastage through recycling, donating and repurposing waste. Lower wastage means proper utilization of environment resources and low wastage of these resources. Reduction in wastage has led to zero food waste to landfills.

Walmart is regarded as the second largest onsite green power generator in the United States by US EPA Green Power Partnership program as its renewable projects provide 1.1 billion kwh energy annually or 4% of electricity for Walmart buildings globally (Globe Communications, 2012).

Walmart has claimed many things to do for less harming the environment like reduction in energy use, greenhouse gas emission, consumption of renewable resources and so forth. But it is seen that it uses less than 2% energy generated by its solar installation and wind power. In addition, greenhouse gas emission is increasing instead of decreasing (United Food and Commercial Workers International Union, 2011).

Economic Viability

Improving Social Welfare

Protecting Environment

Sustainable Development

Fig 3: Three dimensions of Sustainable Development

Socio-Cultural Dimensions

Indicators

S.N.

Indicator

Definition

Measurement

Challenges/Limitations

1.

Employees' Financial Stability

Employees are getting sufficient payment due to which they are financially stable

Whether the corporation is paying according to the work performed or not

This indicator is useless if employees spend their income in useless matters.

2.

Employment Opportunities

Creating job opportunities to the local people

Whether the corporation is creating jobs or taking jobs from the local workers

Fails to show the actual number of jobs created by the corporation

3.

Employee Benefits

Providing employee benefits like profit sharing, health benefits, etc

Whether all the employees are getting employee benefits or not

4.

Safety

Making workers to adopt safety measures and ensuring that the customers are safe.

Whether the corporation giving attention to the safety of workers or not

Doesn't measures unsafe happenings of natural calamities

5.

Priority to Local Products

Using locally produced products than importing materials from other places so that local producers will be gain some benefits

Whether the corporation is getting higher amount of local products or importing goods from other places leaving local products unused

Fails to indicate that the usefulness of local products to the corporation

6.

Diversity

Involvement of multilingual, multisexual, multireligious workers

Whether the corporation is hiring only male workers or workers of only one religion.

If one one kind of workers are interested in working in the corporation

7.

Reliability

Not leaving a place for other high profit earning place

Whether the corporation is serving particular society for longer period or not

Table 2: List of Indicators

Employees' Financial Stability

If the employees do not get sufficient amount of wages or salary then they won't be able to satisfy their needs. This is the condition where the employees are financially instable. If with the given amount of salary, employees are unable to fulfill their needs or if they can fulfill their needs but have no savings for future use then it shows that given amount of money is not enough for the employees. Only if workers are paid sufficiently, they will work properly and give their 100% on work for the prosperity and long term development of it. Minimum wage is the main reason behind high employee turnover. This indicator measures the number of people leaving the organization due to low rate of wage and number of people still finding it hard to fulfill their basic requirement. If higher number of workers are moving from Walmart to other highly paying firms, then it indicates employees' dissatisfaction on payment made to them.

Strength- It immediately points out the situation when the wage rate is making the workers dissatisfied.

Weakness: This indicator won't be able to show the accurate result if the employees spend the money on unnecessary items and leaving not a single penny for saving.

Employment Opportunities.

We all agree that Walmart creates job because the establishment of a store requires more than 300 workers. So, it for sure creates more job opportunities to the people of that community. But sometimes the entry of Walmart stores made the local people to lose their jobs because local business can't compete with Walmart store and are compelled to go out of business.

This indicator is used to check whether Walmart is creating jobs or costing jobs. It compares the number of jobs created by Walmart on the establishment of its stores with the number of jobs lost by the local workers with the establishment of Walmart stores in that community. If the number of jobs created is higher then the result is positive with no monitoring required but if the reverse thing happens then something should be done to lost jobs.

Strength: It helps the corporation to determine how successful it is to minimise the unemployment problem.

Weakness: As it compares the created jobs with lost jobs, it doesn't show the clear picture about the number of jobs actually created by Walmart.

Employee benefits

Employee benefits include incentives, health benefits, profit sharing and so forth. This indicator calculates the number of people who are getting all the benefits provided by the Walmart. It is its corporate responsibility to provide employee benefits to all the workers who work in it whether they part timers or full. This indicator is used to measure

whether all the workers are getting all the benefits or not. Failure to receive benefits is another reason for workers' dissatisfaction.

Strength- it helps to determine who is missing to receive the benefits.

Limitations: It will be difficult to provide health services to all the workers of the company as there are huge number of workers working in it with various nature of working. Safety

Safety is the most important aspect. It is every employees' right to work in the safe working environment where there are less chances of getting into the unwanted accidents and injuries. This indicator measures how often the workers of the company become victims of unsafe working condition. If the number of accidents is higher in particular area or period it gives signal to the management for its correction.

Strength – It immediately reports if any unsafe activities occurs and helps to identify tools and method which are unsafe.

Weakness - it doesn't report any unsafe occurrences through natural hazards.

Priority to Local Products

Local people will be helped if Walmart uses the product grown or produced locally. Walmart is a huge corporation so it is obvious that it would require wide varieties of materials in huge amount. Local people would be economically stable if Walmart uses local products. This indicator examines the proportion of local products on total products used by the Walmart. If the proportion is less then it could be said that local people are less blessed by Walmart. But in order to stick in any place, goodwill of that place's local people is necessary.

Strength – It measures how successful is it to help to enhance the economic standard of local people

Weakness – it doesn't points out the reason for not using the local products

Workforce Diversity

This indicator helps in determining the composition of the workers. It measures whether the corporation is hiring only one kind of wokers or giving chance to every kind of workers. For e.g if the workforce is composed of only male workers, then this is biased towards male. This type of biaseness is not digested by the society and the wokers.

Strength – It

Weakness -

Reliability

This measures how reliable is Walmart. If Walmart comes and goes in short period of time then this indicates unreliability of Walmart. In order to spread a good image in a society, then it should make promise to stay. It measures the time interval Walmart has stayed in particular area.

Strength-

Weakness-

Above mentioned indicators is helpful to track the direction if it is going on the opposite direction of achieving sustainability.

Conclusion and Recommendations

After all these discussion, there arises a question, "How sustainable is Walmart?" Sustainable development is not easy to achieve. It needs lot of money, innovation and effort to achieve sustainability. Although Wal-Mart is directing its efforts towards sustainable development it hasn't been able to completely achieve it. Improvements in many aspects are still to be made. Three dimensions of sustainability should be managed properly for sustainability. If sufficient amount of profit is earned but employees are not satisfied and local people are adversely affected by it and production activities are not carried in environment friendly way then sustainability is not achieved because only economic dimension of sustainability is maintained properly leaving environmental and socio-cultural aspects behind. Walmart is also facing similar kind of problem in the attainment of sustainability.

Walmart is lagging backward in satisfying employees. Wages paid by Walmart is very low as compared to the wages provided by other retailers. Similarly, employees don't receive sufficient amount of employee benefit. As employees play vital role for the existence of the corporation, Walmart should focus on gaining employees satisfaction by providing safe working environment, employees' incentive, health benefits, friendly working environment and increased wages and so forth. In this way, it can minimize employee turnover and retain its workers.

Walmart is basically known for the supply of goods in cheap price but people using the products of Walmart are throwing away its products four times as much as these were thrown before (Gunther, 2011). This is because it is more focused on massive production rather than on producing qualitative products. If the durability of Walmart's 3-4 products is lesser than the durability of 1 product of similar kind of product of other retailers then customers won't be able to save money by using Walmart's products. So, it will be better if it focuses on producing qualitative products in most economic way.

Next problem with Walmart is that it doesn't any reliable promises to stay. It opens its store in such places where it has scope of earning maximum profit and leaves the place if it is not earning expected amount of profit. While entering into the place it creates many jobs as well as takes off the jobs of workers working in the local firms because of their inability to compete with Walmart. But while leaving the place it doesn't think about the jobs lost due to its entry into and exist from the place. It fails to comply with the socio-cultural dimension of sustainability. Hence, it should make promises to stay and should not be moving from one place to another within short interval of time (Carl E. Person).

Walmart should stop violating labor related laws by not hiring janitorial constructors and illegal immigrants, by not locking employees in the store overnight, by not using children as labors, and so forth. (Jacobs)

Development of effective indicators and frequently monitoring the activities pointed out by the indicators will be beneficial for tracking the direction towards which the corporation is heading.

Finally, to be sustainable, products and production operation should be environment friendly. Walmart claims its operations to be environment friendly but in reality it is far behind in this aspect than other retailers. It has neither been able to cut its energy consumption nor reduce its greenhouse gas emission nor minimize the amount of landfills.

Hence, sustainability is still far from Walmart. It has to make lots of efforts for its sustainability. It will be helpful if activities are directed towards producing in most eco-friendly way and towards satisfying customers, workers as well as local people so that maximum profits could be earned.