

Instructor Manual

Carroll/Brown, Business & Society: Ethics, Sustainability & Stakeholder Management, 11e,
9780357718629; Chapter 1: The Business and Society Relationship

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Purpose and Perspective of the Chapter

The purpose of this chapter is to introduce some important basic concepts in the business and society discussion, including pluralism, special-interest societies, business criticism, corporate power, corporate social responsibility to stakeholders, and sustainability.

Cengage Supplements

The following product-level supplements provide additional information that may help you in preparing your course. They are available in the Instructor Resource Center.

- Instructor's Manual
- Transition Guide
- Test Banks
- PowerPoint Slides
- Case Notes

Chapter Objectives

The following objectives are addressed in this chapter:

- 01.01 Define and explain business and society as foundational concepts. Describe how society is viewed as the macroenvironment.
- 01.02 Explain the characteristics of a pluralistic society. Describe pluralism and identify its attributes, strengths, and weaknesses.
- 01.03 Clarify what is a special-interest society and how it poses special challenges for business.
- 01.04 Identify, discuss, and illustrate the factors leading up to business criticism and corporate response. What is the general criticism of business? How may the balance of power and responsibility be resolved?
- 01.05 Identify what is the changing social contract. Is it better or worse for stakeholders?
- 01.06 Make clear the major themes characterizing this book: managerial approach, business ethics, sustainability, and stakeholder management.

Complete List of Chapter Activities and Assessments

For additional guidance, refer to the Teaching Online Guide.

Chapter Objective	PPT Slide	Activity/Assessment	Duration
1.1	2	Icebreaker: Business and You	10 minutes
1.1	7	Discussion: Corporate Ethics	15 minutes
1.2	20	Discussion: COVID-19	15 minutes

1.4	23	Discussion: Business Criticism and Rising Expectations	15 minutes
1.4	24	Discussion Levels of Power	15 minutes
1.4	26	Discussion: Iron Law of Responsibility	15 minutes

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Key Terms

Affluence: the level of wealth, disposable income, and standard of living of the society

Business: the collection of private, commercially oriented (profit-oriented) organizations, ranging in size from one-family proprietorships

Business ethics: ethical issues that arise in the commercial realm

Business power: the capacity or ability to produce an effect, have an impact, or to bring influence to bear on a situation or people

Economic environment: the nature and direction of the economy in which business operates

Education: the process of receiving or giving systematic instruction, especially at a school or university

Entitlement mentality: the general belief that individuals are owed something (e.g., a job, an education, a living wage, or health care) just because they are a member of society

Iron Law of Responsibility: Whenever power and responsibility become substantially out of balance, forces will be generated to bring them into closer balance.

Macroenvironment: the total environment outside the firm

Managerial approach: a focus on the three main themes of vital importance to managers, organizations, and society today: business ethics, sustainability, and stakeholder management.

Nongovernmental organizations (NGOs): special-interest groups that may be organized on a local, national, or international level

Pluralism: a diffusion of power among society's many groups and organizations

Political environment: the processes by which laws get passed and officials get elected and all other aspects of the interaction between firms, political practices, and government

Rights movement: a trend and pattern of rising expectations as to how people want to be treated

Rising expectation: a belief or an outlook that each succeeding generation ought to have a standard of living higher than that of its predecessor

Social contract: a set of reciprocal understandings and expectations that characterize the relationship between major institutions

Social environment: the demographics, lifestyles, culture, and social values of the society

Social problem: a gap between society's expectations of social conditions and the current social realities

Society: community, a nation, or a broad grouping of people with common traditions, values, institutions, and collective activities and interests

Special-interest society: a society characterized by tens of thousands of special interest groups, each pursuing its own specific agenda

Stakeholder management: the management of integral constituents in the business and society relationship

Stakeholders: individuals or groups with which business interacts who have a “stake,” or vested interest, in the firm

Sustainability: business’s ability to survive and thrive over the long term

Sustainable development: a pattern of resource use that aims to meet current human needs while preserving the environment so that these needs can be met not only in the present but also for future generations

Technological environment: the total set of technology-based advancements taking place in society and the world

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What's New in This Chapter

The following elements are improvements in this chapter from the previous edition:

- The key terms have been updated.
- The endnotes have been updated.
- The topic Business and society relationship (A-head) is updated.
- The box spotlight on sustainability has been updated.
- Figure 1-2 from the previous edition has been renamed as Figure 1-1.
- Figure 1-3 from the previous edition has been renamed as Figures 1-2.
- Figure 1-4 from the previous edition has been renamed as Figure 1-3.
- Image 1-2 is revised.
- The heading “Awareness through television, movies, the internet, and social media” has been renamed to “Awareness through various media”.
- The heading “24/7 News and investigative program” has been renamed to “24/7 Television programming”.
- The heading “Revolution of rising expectations” is renamed to “Rising expectations”.
- Figure 1-3: The data is revised.
- The titles of “Ethics in Practice Case” have been updated.
- Title of figure 1-4 is renamed.

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Chapter Outline

In the outline below, each element includes references (in parentheses) to related content. “CH.##” refers to the chapter objective; “PPT Slide #” refers to the slide number in the PowerPoint deck for this chapter (provided in the PowerPoints section of the Instructor Resource Center); and, as applicable for each discipline, accreditation or certification standards (“BL 1.3.3”). Introduce the chapter and use the Ice Breaker in the PPT if desired, and if one is provided for this chapter. Review learning objectives for Chapter 1. (PPT Slides 1–3).

- 1.1 Business and Society (Ch. 1.1, PPT Slides 5–7)
 - a. Business: Defined (Ch. 1.1, PPT Slide 6)
 - b. Society: Defined (Ch. 1.1, PPT Slide 6)
- 1.2 Society as Macroenvironment (Ch. 1.2, PPT Slide 8-10)
- 1.3 Pluralistic Societies (Ch. 1.3, PPT Slide 11–14)
 - a. Multiple Publics, Systems, and Stakeholders Ch. 1.3, PPT Slide 14)
 - b. A Special-Interest Society (Ch. 1.3, PPT Slide 14)
- 1.4 Business Criticism and Corporate Response (Ch. 1.4, PPT Slides 15–25)
 - a. Factors in the Social Environment (Ch. 1.4, PPT Slide 17)
 1. Affluence and Education (Ch. 1.4, PPT Slide 17)
 2. Awareness through Various Media (Ch. 1.4, PPT Slide 17)
 - a. 24/7 Television Programming (Ch. 1.4, PPT Slide 18)
 - b. Movies (Ch. 1.4, PPT Slide 17)
 - c. Social Media (Ch. 1.4, PPT Slide 17)
 3. Rising Expectations (Ch. 1.4, PPT Slide 17)
 4. Rights Movement (Ch. 1.4, PPT Slide 17)
 - b. A General Criticism of Business: Use and Abuse of Power (Ch. 1.4 Slide 19)
 1. Levels of Business Power (Ch. 1.4, PPT Slide 19)
 2. Spheres of Business Power (Ch. 1.4, PPT Slide 19)
 - c. Balancing Power with Responsibility (Ch. 1.4, PPT Slide 21)
 1. Iron Law of Responsibility (Ch. 1.4, PPT Slide 21)
 - d. Business's Response: A Changing Social Contract (Ch. 1.1, PPT Slide 22)
- 1.5 Focus of the book (Ch. 1.5, Slides 26–30)
- 1.6 Structure of the book (Ch. 1.6, Slides 31–35)
- 1.7 Summary

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Discussion Questions

You can assign these questions several ways: in a discussion forum in your LMS; as whole-class discussions in person; or as a partner or group activity in class.

1. Discussion: Corporate Ethics (page 4, 1.1, PPT Slide 7) Duration 15 minutes.
 - a. Question: In discussion of business and society, why is there a tendency to focus on large-sized rather than small- or medium-sized firms? Have the corporate ethics scandals of the past decade affected small- and medium-sized firms? If so, in what ways have these firms been affected?
 - l. Answer: We tend to focus on large firms when discussing business and society for a number of reasons. Large firms are more visible, their products and services are more widely known, and we generally equate size with power. All of these factors contribute to the fact that large firms are more susceptible to public scrutiny. It is debatable whether the ethics scandals of the first decade of the 2000s have had a significant impact on small and medium-sized firms. On one hand, the scandals may have caused a general increase in the level of distrust of business. This had a chilling effect on stock prices and made it more difficult for smaller firms to raise money, especially through initial public offerings (IPOs). Furthermore, small- and medium-sized

firms that are not publicly traded may feel pressure to adhere to the costly provisions of the Sarbanes-Oxley Act, as lenders, investors, and competitors continue to stress that SOX provisions are the “best practices” by which *all* firms are measured. On the other hand, as stated above, the public tends to focus more on larger firms, so the effect of scandals may not have “trickled down” to smaller firms on those occasions when members of society actually do think about them.

2. Discussion: Pluralistic Society (page 9, 1.4, PPT Slide 20) Duration 15 minutes.
 - a. Question: How will the COVID-19 pandemic alter business and society relationships? Identify and discuss some of the major effects and impacts.
 - i. Answer: The textbook discusses the COVID-19’s impact on the U.S. and the world economies. Many businesses and governments received criticism on the handling and responsibilities of public safety. Students will have a wide variety of examples to choose from as examples of how businesses have changed. As some business begin to reopen, many will not return. Examples of companies such as the buffet-style restaurants, such as Sweet Tomatoes, closed their doors for good. While other businesses, such as Door Dash and Uber Eats thrived through the pandemic, mobile ordering has seen a tremendous spike in usage, as customers seek out less “in-person” shopping.
3. Discussion: Business Criticism and Rising Expectations (pages 6–13, 1.4, PPT Slide 23) Duration 15 minutes.
 - a. Question: Identify and explain the major factors in the social environment that create an atmosphere in which business criticism takes place and prospers. Provide examples. How are the factors related to one another? Has the pattern of rising expectations run its course? Or is it still a reality among young people today?
 - i. Answer: Many factors contribute to an atmosphere conducive to criticism of business. Affluence, or the level of wealth, allows people the luxury of being critical of social institutions (as Amartya Sen and John Kenneth Galbraith have both noted, people in poverty are primarily concerned with finding enough to eat, not the cause or cure for social ills). In addition, affluence often leads to rising expectations. People generally expect each succeeding generation to have higher standards of living and become dissatisfied if that does not occur. While the recent economic recession may moderate rising expectations in the short-run, the general trend of rising expectations may continue. Such expectations are likely to outpace business’s ability to respond, especially during a recession. Higher levels of education also contribute to a climate of criticism, because people expect more from life, are more aware of ills caused by business, and they are better equipped to research and analyze the causes of social problems. The mass media, particularly television, movies, and the Internet, often provides negative information about business to the public, which increases public’s distrust and unfavorable perception of business. Observers of society have also noted three related trends that contribute to criticism of business, an entitlement mentality, the movement for equal rights, and a victimization philosophy. These trends can also be associated with increased levels of education and affluence, and in some ways, are examples of rising expectations. These trends may also be influenced and exacerbated by the media.

4. Discussion: Levels of Power, (pages 11–12, 1.4, PPT Slide 24) Duration 15 minutes.
 - a. Question: Give an example of each of the four levels of power discussed in this chapter. Also, give an example of each of the spheres of business power. Is business power excessive?
 - I. Answer: The text draws on Edwin M. Epstein's four levels of corporate power—macro, intermediate, micro, and individual. The macro level encompasses the entire corporate system. This can be seen in business's ability to effectively lobby Congress to pass laws that enhance corporations' ability to operate profitably, the fact that nearly half of the largest economies in the world are corporate, not national, or in the profound effects that business has on individuals' lives. The intermediate level of power resides within particular groups of corporations acting in concert. This type of power is often associated with industries, such as the auto manufacturers, insurance companies or financial services firms. An example of the intermediate level of corporate power is the military-industrial complex that influences defense spending. The micro level of corporate power is wielded by an individual firm. The best example of this level is Microsoft, with its dominance of the computer operating system market. Finally, the individual level of corporate power is vested in individual corporate leaders. Bill Gates, founder of Microsoft; Warren Buffett, CEO of Berkshire Hathaway; Elon Musk, former CEO of Tesla; or Jeff Bezos, founder of Amazon, are good examples of people who exercise the individual level of corporate power.

Spheres of power include economic, political, social/cultural, technological, environmental, and power over the individual. The fact that corporations control billions of dollars in assets and sales shows their economic power. Nearly half of the largest economies in the world are corporations, not nations. Corporate lobbying efforts, political action committees (PACs), and direct influence on elected officials (e.g., former Vice President Cheney's "secret" energy policy meetings with corporate leaders) all show the political power enjoyed by corporations. Virtually all new technology is manufactured and distributed by corporations, and much of it is invented in corporate R&D labs, such as cellular telephones, medical treatments, and hybrid automobiles. Corporations produce vehicles that are the number-one source of air pollution in the world, and determine the fashions that teens wear and the movies that we watch. Because most people work for corporations and buy most of their products from corporations, corporate power over the individual is undeniable.
5. Discussion: Iron Law of Responsibility (page 12, 1.4, PPT Slide 25) Duration 15 minutes.
 - a. Question: Explain in your own words the Iron Law of Responsibility and the social contract. Give an example of a shared understanding between you as a consumer or an employee and a firm with which you do business or for which you work.
 - I. Answer: The Iron Law of Responsibility basically says that there is a balance required between power and responsibility to others. The more power an organization has, the more responsibilities that same entity will have. This concept is actually one that most children learn in one form or another. "To whom much is given, much is expected." "Rights bear

responsibilities.” A social contract is an implicit agreement between two parties or social institutions that states the rights and duties of each party.

Students may be easily misled to think of this law like a form of natural law, which, of course, it is not. Consider consumers’ rights and business power. As consumers, we have a right to expect that the products we buy will work properly and not subject us to unreasonable risks. This right extends to financial services products. Abusive practices with credit cards and other predatory practices showed that this social contract was being violated on a regular basis by some corporations. Certain businesses have exploited consumers’ financial circumstances, lack of education or general naivety to bind them to unconscionable contracts. As a result, these consumers may find themselves in situations where they cannot realistically meet their debt obligations. To the extent that these businesses use unfair or predatory practices in selling their financial products, regulation is necessary to protect consumers. The Iron Law of Responsibility does not autonomously correct this. So, the federal government is justified in creating new regulations to meet this need.

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Additional Activities and Assignments

1. **Cases:** In this chapter, instructors may utilize a combination of cases:

- 1- Wal-Mart - The Main Street Merchant of Doom
- 2- Walmart’s Labor Practices
- 3- Chipotle’s Struggle with Food Safety: Back on Top Again?
- 4- The Theranos Story and Fake Blood Testing: Culture, Crime, and Hubris
- 7- Volkswagen’s Diesel Deception and Its Aftermath
- 12- Family Business
- 19- An Ethical Dilemma for Chiquita in Colombia
- 23- McDonald’s: The Coffee Spill Heard ‘Round the World
- 24- Boeing’s Two Flight Crashes
- 25- Should States Woo Big Business with Tax Incentives? Amazon Thinks So!
- 26- Everlane: Ethical Chic and Radical Transparency in Global Supply Chains
- 27- Slow and Sustainable Fashion
- 29- “Dead Peasant” Life Insurance Policies
- 31- Two Vets, Two Dogs, and a Deadlock
- 33- To Take or Not to Take

2. **Group Activity:**

This group activity focuses on business criticism and corporate response. Divide students into groups of four to five students. Distribute the latest edition of national,

regional and local newspapers among different groups in the class. Have the groups identify the number of articles that criticize business or an employer-related decision. Have the group identify the number of articles that paint business in a favorable light. Ask students to pick a negative article and a positive article for a more in-depth analysis. Students should consider the following questions for each article:

Is the business practice or decision accurately portrayed?

What is the intended audience of the newspaper? Do you think the affluence, education, expectations, and mentality of the intended audience impact the newspaper's portrayal of the business decision? If so, how?

How should the business in question respond to this situation?

Once students have had an opportunity to discuss the review questions in their group, ask each group to report the number of negative versus positive articles and to summarize their answers to the review questions for the class. Look for trends or discrepancies to discuss with the class as a whole. For example, ask students to consider whether they believe business is treated differently by national, regional and local papers based on the responses of each group. Further, ask students to contemplate whether the affluence, education, expectations and mentality of the intended audience affects the way a particular newspaper reports on the actions of business. Finally, encourage students to explore the range of corporate responses to negative and positive media.

3. Individual Assignment:

Distribute the following instructions to each student:

Select a company and research recent news items that have been released regarding the company. In a written response, note whether the articles were positive or negative for the company. Describe how the company's actions may impact an individual's perception of business in the United States. Identify responsibilities that the company has to various stakeholder groups mentioned in the articles. Finally, note any sustainability issues that confront the company and provide suggestions for how the company should handle these issues.

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Appendix

Generic Rubrics

Providing students with rubrics helps them understand expectations and components of assignments. Rubrics help students become more aware of their learning process and progress, and they improve students' work through timely and detailed feedback.

Customize these rubrics as you wish. The writing rubric indicates 40 points and the discussion rubric indicates 30 points.

Standard Writing Rubric

Criteria	Meets Requirements	Needs Improvement	Incomplete
Content	The assignment clearly and comprehensively addresses all questions in the assignment.	The assignment partially addresses some or all questions in the assignment.	The assignment does not address the questions in the assignment. 0 points

	15 points	8 points	
Organization and Clarity	The assignment presents ideas in a clear manner and with strong organizational structure. The assignment includes an appropriate introduction, content, and conclusion. Coverage of facts, arguments, and conclusions are logically related and consistent. 10 points	The assignment presents ideas in a mostly clear manner and with a mostly strong organizational structure. The assignment includes an appropriate introduction, content, and conclusion. Coverage of facts, arguments, and conclusions are mostly logically related and consistent. 7 points	The assignment does not present ideas in a clear manner and with strong organizational structure. The assignment includes an introduction, content, and conclusion, but coverage of facts, arguments, and conclusions are not logically related and consistent. 0 points
Research	The assignment is based upon appropriate and adequate academic literature, including peer-reviewed journals and other scholarly work. 5 points	The assignment is based upon adequate academic literature but does not include peer-reviewed journals and other scholarly work. 3 points	The assignment is not based upon appropriate and adequate academic literature and does not include peer-reviewed journals and other scholarly work. 0 points
Research	The assignment follows the required citation guidelines. 5 points	The assignment follows some of the required citation guidelines. 3 points	The assignment does not follow the required citation guidelines. 0 points
Grammar and Spelling	The assignment has two or fewer grammatical and spelling errors. 5 points	The assignment has three to five grammatical and spelling errors. 3 points	The assignment is incomplete or unintelligible. 0 points

Standard Discussion Rubric

Criteria	Meets Requirements	Needs Improvement	Incomplete
Participation	Submits or participates in discussion by the posted deadlines. Follows all assignment instructions for initial post and responses. 5 points	Does not participate or submit discussion by the posted deadlines. Does not follow instructions for initial post and responses. 3 points	Does not participate in discussion. 0 points
Contribution Quality	Comments stay on task. Comments add value to discussion topic. Comments motivate other students to respond. 20 points	Comments may not stay on task. Comments may not add value to discussion topic. Comments may not motivate other students to respond. 10 points	Does not participate in discussion. 0 points
Etiquette	Maintains appropriate language. Offers criticism in a constructive manner. Provides both positive and negative feedback. 5 points	Does not always maintain appropriate language. Offers criticism in an offensive manner. Provides only negative feedback. 3 points	Does not participate in discussion. 0 points

GUIDELINES FOR CASE ANALYSIS

The following guidelines are designed to assist in the case analysis process. The guidelines are not intended to be a rigid format, however. Each question is intended to surface information that will be helpful in analyzing and resolving the case. Each case is different, and some parts of these guidelines may not apply in every case.

Following each case are discussion questions that should be answered as part of any complete case analysis. The heart of any case analysis is the recommendations made based on a solid logical foundation. The questions dealing with Problem and Issue Identification and Analysis and Evaluation should be used to define and then defend recommendations made in the final Recommendations step.

Guidelines for Analyzing Cases

Problem and Issue Identification

1. What are the *central facts of the case*? What assumptions are you making about these facts?
2. What is the *major overriding issue* in the case? What major question or issues does this case address that merits study at this point in the course?
3. What *sub-issues* or *related issues* are present in the case that merit consideration now?

Analysis and Evaluation

1. Who are the *stakeholders* in the case, and *what are their stakes*? What challenges, threats, or opportunities are posed by these stakeholders?
2. What *economic, legal, ethical, and philanthropic responsibilities* does the company have, and what is the nature and extent of these responsibilities?
3. If the case involves company actions, *evaluate what the company did or did not do* in handling the issue affecting it.

Recommendations

1. What recommendations do you have for this case? If a company's strategies or actions are involved, should the company have acted as it did? What action should the company take now? Why? Be as specific as possible. List several options as well as the pros and cons of each alternative. Be prepared to discuss why you eliminated those options you discarded and defend your chosen alternative. Mention and discuss any important *implementation considerations*. This last step is crucial because recommendations that cannot be implemented are worthless.

Case 1: Walmart: The Main Street Merchant of Doom

1. What are the major issues in the case? What does Walmart's experience tell you about the business and society relationship?

The major issues in the case center on Walmart's expansion. The case focuses on the impact to the communities to which Walmart moves, from both environmental and economic perspectives. Walmart has been criticized for the aggressive and even predatory tactics that it takes with respect to local merchants. Competition is what drives Walmart, and a merchant who competes directly with them will lose. Is it unethical for any company, not just Walmart, to drive out all competition? Is Walmart using its size and ability to undersell small local merchants until they are driven out in order to establish an unfair monopoly on local markets? Is this a violation of the spirit of anti-monopoly laws? The Walmart experience tells us that business and society have a symbiotic relationship, that the fabric of a community is impacted dramatically by the entry of a company like Walmart, and that this fabric is sacrificed to poor working conditions, low wages, and lower-priced goods.

2. What happened to the "Penney Idea," Sam's ten-foot rule, and the Buy America Plan? Were these discontinued over time, or did they fade away and get lost when Sam died?

To fulfill a cost-cutting philosophy, many stores eliminated their famed greeters, and this opened the door to problems (increased crime) because one fewer deterrent existed. Walmart eventually abandoned the Buy American Plan and became one of the largest purchasers of products made overseas. In fact, the company in time became the country's largest purchaser of Chinese goods in any industry.

3. Assess Walmart's corporate social responsibility using the four-part CSR model. Is Walmart socially responsible even though it has had a devastating impact on many small merchants and various stakeholder groups, and some communities do not want it?

The following is an assessment of Walmart's corporate social responsibility using the four-part CSR model:

Economic: Walmart's economic performance has been outstanding. According to the text, in the 2020 *Fortune* 500 listing, Walmart has held on to its #1 position in terms of revenues: \$524 million. On a global scale, Walmart has more than 11,500 stores, and during the pandemic, its e-commerce went up by 74 percent. The year 2020 was a big year for Walmart as it continued to provide essential products and services for millions of citizens. The company grew its revenue by \$35 billion, and its e-commerce business grew by triple digits. Its goal of providing quality merchandise at a low cost to consumers meets society's economic expectations for the company.

Legal: Walmart's adherence to the laws of the country generally has been good, but an explosion of lawsuits by employees and other stakeholders is tarnishing the company's image in this area. As the world's largest employer and the largest nongovernmental employer, Walmart gets sued 20 times a day, close to 5,000 times every year. Many of these lawsuits are filed by its employees over employment discrimination issues or wage and hour claims, often regarding overtime. The most serious employee issues Walmart has faced in the past decades have been accusations of gender discrimination against women. More often than not, these lawsuits are settled out of court. According to Walmart's annual report for the year ending January 31, 2010,

the company is a defendant in “various cases containing class-action allegations.” The company notes that if these cases are “decided adversely to [the company] or settled by [the company],” it could result in a material liability to the company and adversely impact the company’s “financial condition or results of operations.” In April 2010, the Ninth Circuit Court of Appeals, sitting en banc, upheld the class-action status in *Dukes v. Wal-Mart Stores, Inc.*, a class-action lawsuit “brought on behalf of all past and present female employees in all of our retail stores and warehouse clubs in the United States.” The certified class includes approximately 1.6 million individuals. In 2020, a new issue arose regarding Walmart’s policies and practices on filling opioid prescriptions at its pharmacies. The U.S. Justice Department did accuse Walmart of helping to fuel the country’s opioid crisis by insufficiently screening questionable prescriptions.

Ethical: Walmart’s internal policies have certainly been above the spirit of the law. Questions may be raised, however, about (1) the degree to which it has considered its impact on other small stores and merchants and on town culture, and (2) certain employment-related practices that have resulted in mammoth lawsuits for the company.

Discretionary: Walmart’s contributions to the local community, its Buy American program, and its recycling centers all speak to the positive aspects of societal expectations. At the time of this writing, Walmart has several corporate citizenship initiatives, including, among others, scholarships to high school seniors, fundraisers for The Children’s Miracle Network Telethon, and environmental programs. In its 2020 Environmental, Social and Governance (ESG) Report, Walmart featured and summarized some of its recent goals and achievements: Walmart states that it prioritizes ESG issues that offer the greatest potential to create shared value. The company focuses on issues that are highly relevant to their business and stakeholders. However, Walmart is often criticized for the predatory practices it uses against local merchants, its lack of sensitivity to community needs when a store is closed, and to community culture.

4. What about Walmart’s impact on communities in terms of sprawl, traffic congestion, and impact on the appearance of the environment? What responsibility, if any, does the company have to the communities it enters?

Walmart has been condemned for its impact on communities in terms of sprawl, traffic congestion, and appearance of the environment. The website Wal-Mart Watch (<http://walmartwatch.com>) notes that Walmart’s entry into new communities results in abandoned retail space, increased traffic congestion, and dead and decaying areas in such communities.

As noted, questions may be raised about some of Walmart’s practices and effects described in the case. Walmart’s responsibility to community merchants could extend to the point that Walmart should teach them how to compete *with*, not *against* them. Predatory competition designed by department managers to increase store sales should be stopped and punished if necessary.

5. Sam Walton has been called a motivational genius. After reading this case, and with what you have observed at your local Walmart store, do you think his motivational genius is still felt by associates? What is the “Walmart Way”? How would you characterize the store’s culture now that Sam is no longer around?

Sam motivated the associates by giving them the responsibility and the credit for Walmart’s success. He gave them ownership in the company through stock options. He posted the stock

price daily and pointed to it often. He held weekly videoconferences with all the stores explaining new ideas, promotions, and products. He included the associates in the decision-making process.

However, now that Sam Walton has died and Walmart has morphed into a mega-industrial giant, the culture arguably has changed. While the focus on customer satisfaction and low prices was once perceived as consumer (and perhaps community) friendly, now many associate low prices with social and economic injustice (the opposite of Sam's original intentions). Further, management's emphasis on corporate numbers has led to employee lawsuits that could have a material impact on the company in the long run. When one visits a Walmart store you rarely get the sense that employees are engaged and are part of a positive culture. Apart from the famed "Walmart greeters," there seems to be little in the way of a corporate identity that indicates a culture that values its employees.

6. Walmart was an early leader in the area of corporate social responsibility. Is the company's detrimental impact on merchants, and current opioid, labor, and bribery scandals, offset by the benefits of its recent corporate citizenship and sustainability initiatives?

Both the Buy America and Environment Awareness campaigns are examples of how Walmart continues to promote corporate sustainability initiatives. The Buy American program not only promotes the purchasing of goods made in America, but the advertising of such a program raises awareness of this issue in the minds of the hundreds of thousands of Walmart shoppers. The use of Walmart's vast purchasing power also creates awareness in the manufacturing and marketing sectors that there is a demand for American-made goods. The Environmental Awareness campaign works in much the same way.

These programs may have been both an example of corporate social responsibility and gimmicks to entice customers into the store. By enticing people into the stores by dealing with emotional issues such as buying American-made products, the image of corporate social responsibility comes home to the consumer. Many may view the Buy American program as a gimmick, rather than corporate social responsibility, as Walmart has abandoned this emphasis and now is one of the largest purchasers of overseas products. In addition to its retail size and power, many consider the company to be socially responsible in addition to being a provider of thousands of jobs, low prices, and high value and service. Walmart has numerous corporate citizenship and sustainability initiatives at the local and national levels. Walmart and the Walmart Foundation together provide more than \$1 billion in cash and in-kind donations to support programs that align with their philanthropic priorities. In 2021, they committed \$100 million over five years to fund research advocacy, innovation of practices, and stakeholder convening to address racial inequity through Walmart.org's Center for Racial Equity.

While corporate citizenship programs that focus on certain aspects of the community are an important part of a company's corporate social responsibilities, it bears noting that corporate social responsibility encompasses a company's economic, legal, ethical, and philanthropic responsibilities. Given the record of these programs, it is difficult to believe that Walmart's social responsibility initiatives go far enough to be able to alleviate the detrimental impact on merchants by the company. While success in one area should be celebrated, it should not come at the expense of another area. Companies, like Walmart, must focus on all their responsibilities to be truly successful corporate citizens.

7. *Walmart continues to find resistance to its expansion into New England and some parts of the United States. What are the true goals of the opponents of Walmart? Include a consideration of the following: (a) stopping Walmart's expansion, (b) preserving the status quo (e.g., downtown community and social fabric), (c) developing a cause that will pay their bills, (d) fighting for an ideology, or (e) something else. What should Walmart do when it encounters resistance?*

Walmart's primary emphasis is on the consumer stakeholder. However, it is its relationships with other stakeholders, specifically the government, local and global communities, its employees, and the environment that impact its ability to expand into new areas. Opponents of Walmart fear that while the company provides low-price alternatives to consumers, it has also the ability to drive out local competition. This eliminates the consumer's right to choose (i.e., the right to ensure that competition is working effectively), a right identified by the Consumer's Magna Carta (see Chapter 13 in the textbook). Thus, opponents are concerned that Walmart's continued expansion may have the effect of limiting consumer choice in the long run, as well as have a detrimental impact on small-town culture. Specifically, as downtown stores close and Walmart becomes one of the only sources for certain goods, the culture of the community changes drastically. Further, employment opportunities change, and Walmart currently faces a tremendous amount of scrutiny for certain employment practices. While it may be said that some opponents undertake the Walmart cause for monetary gain or for idealistic reasons, there are others who champion this cause based on the factors listed above. Further, as noted in the case, the media has published several articles that question Walmart's power and influence.

As Walmart continues to increase its public image as a socially responsible company, it must address the concerns that it faces regarding its impact on community and employee stakeholders. As the tagline for the first *Spider-Man* movie noted, "With great power comes great responsibility." As one of the nation's leaders in sales, Walmart has the ability not only to impact our nation's, and perhaps even the global, economy but to shape our legal and social system as well. Accordingly, it must consider the impact of its employment practices and growth strategies on the community and the individuals who live there and the company's responsibilities to these stakeholders.

8. *When Walmart does have to close stores due to the economy and/or competition, does it have any social responsibilities to the communities it is leaving? If so, what would those responsibilities be?*

Looking again at the model of CSR, the economic and legal responsibilities would give minimal responsibility to Walmart in regard to its associates, customers, and community. The ethical responsibility would require that Walmart avoid even the appearance of a questionable response and to operate above the minimum required by the law. At the discretionary level, the community would need help in the transition period. This help could be money, a search for new small retailers, or the establishment of a fund for the start-up of new business and other commercial ventures. In regard to the lost social fabric, it cannot be recovered. Not much can be done for the loyal customers. Perhaps there could be a customer appreciation day, a parking lot fair, or other attractions paid for by Walmart. The employees could be compensated with severance pay.

9. When you are the largest company in the world, how do you protect yourself against the kind of criticism Walmart has received? Does it seem that no matter how hard you try, it's difficult to make things better?

It would be impossible for a company as large as Walmart to insulate itself from criticism. The decisions that Walmart makes impact the communities in which it does business—that in and of itself invites criticism. What Walmart can do to counter negative criticism is to remain true to the core philosophy of its founder, Sam Walton, to cultivate social programs, be a good neighbor, offer a fair wage and a positive culture to employees, and positively impact its environment. When he was appointed CEO, *Fortune* magazine dubbed Doug McMillon the “chosen one” and said that he may be the best-prepared executive to lead Walmart since Sam Walton himself. The years ahead will be interesting to watch as Walmart plays out its “business in society” role.