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 upon 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**

Who are the *stakeholders* in the case and *what are their stakes*? What challenges, threats or opportunities are posed by these stakeholders?

What *economic, legal, ethical, and philanthropic responsibilities* does the company have, and what is the nature and extent of these responsibilities?

If the case involves company actions, *evaluate what the company did or did not do* in handling the issue affecting it.

**Recommendations**

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? Assess Walmart’s corporate social responsibility using the four-part CSR model. Is Walmart socially responsible while it has a devastating impact on small merchants? What about its 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 these merchants or to the communities in which it enters?*

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 any and all competition? Is Walmart using its size and ability to undersell small local merchants until they are driven out to establish an unfair monopoly on local markets? Is this a violation of the spirit of anti-monopoly laws?

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 2010, Walmart was the largest retailer in the world with over $408 billion in sales. 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. According to Walmart’s annual report for the year ended 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.

*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 to town culture, and (2) certain employment-related practices which have resulted in mammoth lawsuits for the company.

*Discretionary:* Walmart’s contributions to the local community, Buy American program, and the 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. However, Walmart is often criticized for the predatory practices it uses against local merchants and its lack of sensitivity to community needs when a store is closed and to community culture.

Walmart also 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 complete *with*, not *against* them. Predatory competition designed by department managers to increase store sales should be stopped and punished if necessary.

*2. Sam Walton has been called a motivational genius. After reading this case, and with what you have observed at your local Walmart store, explain how this motivational genius empowered the employee? What is the “Walmart Way”? Explain its impact on the associate and on the community. What has happened now that Sam is no longer the motivational leader?*

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.

The J.C. Penny Idea is to serve the customer, not to demand all the profit the market will bear, to pack the customer’s dollar full of value, quality, and satisfaction, to continue to be trained, to reward men and women through participation in what the organization produces, and to test every policy, method, and act by “Does it square with what is right and just?” Apparently Sam Walton adopted this philosophy during his time working for J.C. Penny. He extended some of these ideas into the concept of the “Walmart Way,” which emphasizes customer relations. However, it is not clear how this policy can be squared with Walmart’s practices of eliminating all local competition or of abandoning towns where they have, through these practices, become the sole provider of many products. The impact on the community is positive, in fact so positive that the downtown merchants are often seen as the high-cost, price-fixing bad guys. Walmart becomes the comfortable small store that’s locked inside the large store. Walmart’s image is perceived by the consumer as “being on their side” against rising costs of living.

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.

*3. Walmart was an early leader in the area of corporate social responsibility. How do the “Buy American” program and the “Environmental Awareness” campaign illustrate this? Were these programs really early examples of corporate social responsibility or were they gimmicks to entice customers into the stores? Are the benefits of its more recent corporate citizenship programs offset by the company’s detrimental impact on merchants?*

The Buy American program not only promotes the purchasing of goods made in America, 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.

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. 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.

*4. Walmart has closed five stores in its short history. What responsibility, if any, does Walmart have to the employees who are let go? What about its loyal customers and the community?*

Looking again at the model of CSR, the economic and legal responsibilities would give minimal responsibility to Walmart in regards 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 startup of new business and other commercial ventures. In regards to the lost social fabric, it cannot be recovered. Not much can be done for the loyal customers. Perhaps a customer appreciation day, a parking lot fair, or other attractions paid for by Walmart. The employees could be compensated with severance pay.

*5. Walmart continues to find severe resistance to its expansion into New England and California. From Walmart’s perspective, draw the stakeholder map. Define 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?*

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 also has 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 actually limiting consumer choice in the long-run, as well as 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 which 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 with regards to 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 to not only impact our nation’s and perhaps even the global economy, it has the ability to shape our legal and social system. 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.

*6. What is your assessment of competitors secretly hiring consulting firms to block Walmart’s*

*entry into new communities? Is this an ethical practice? Is this a fair trade practice with*

*respect to competitor stakeholders?*

It appears that these competitors hired consulting firms to perform acts that the competitors feared would draw negative publicity or lawsuits for them (e.g., having an individual use assumed names and multiple phone lines to call politicians opposing a new Walmart store). If the competitors believed that their actions were right and justified and, therefore, ethical, they would not have felt the need to remain anonymous. Competitors should have the right to voice opposition to Walmart’s entry into a new market; however, the tactics that they employed are questionable and misleading.

*7.* *As Walmart continues its expansion into the international arena, what problems or issues do you anticipate it will face? In general, what should Walmart’s approach be in these other countries? Is it unethical to change another country’s culture?*

As Walmart continues to expand in the international arena, it may face opposition not only for some of the same criticisms it faces in America (urban sprawl, traffic congestion, elimination of local competition), but it also may struggle with cultural differences. There are certain societies whose culture run contrary to the ideas of the “Walmart Way.” In Japan, for example, it is not socially acceptable to approach the customer before the customer asks for help. Not only will this be difficult for the Walmart associate to embrace, but the Japanese customers may find it reprehensible.

If Walmart hopes to succeed in every market that it enters, it must recognize that it cannot employee a “one size fits all” mentality in every global location. While the legal and ethical responsibilities of the company may be viewed differently by citizens of different countries, Walmart would be well-served to consider local customs and laws if they hope to achieve economic success in all global markets. In many cases, the company must adapt to the culture of the community if it hopes to succeed.

Case 2: The Body Shop: Pursuing Social and Environmental Change

*1. In this case, how does The Body Shop address the four components of corporate social responsibility? In The Body Shop, what tensions among these components were at work?*

The Body Shop (TBS) does well with the economic component, as shown by its steady earnings growth. It seems to regard profit as a byproduct of its overall success. One may wonder what effect increased competition will have on this attitude, especially if the rate of earnings growth decreases. The firm’s slow entry into the North American market and its reluctance to employ traditional advertising techniques can be construed as failures to adequately address the economic component.

The firm deals with the legal component in a variety of ways. TBS does not employ any sort of animal testing, so it does not need to comply with a majority of the testing regulations. The firm does use lawsuits as a weapon against imitators and counterfeiters; this is one of the few standard industry practices that TBS employs.

In terms of the ethical component, TBS has adopted several practices; notably, recycling throughout all stores and child day care at corporate headquarters.

TBS probably does better than most businesses in the discretionary area. Roddick’s personal championing of various causes (see below) is important here. The “Trade Not Aid” program, in which products are manufactured in the country where the raw materials are obtained, is another example. TBS’ use of cruelty-free ingredients and the company’s stand against animal testing also fall into this category. The practice of giving employees time off to perform volunteer work can also fall into this category.

There are constraints forming because TBS has been unable to open a large number of stores and alternative methods such as telephone and catalog sales have not been effective. Further, there are new competitors in the market who are backed by larger chains and enjoy greater resources for product delivery. Finally, the environmental issue concerns that won TLC early recognition seem to be not as important to today's consumers. These economic pressures create a tension within TBS to perhaps cut or reduce internal CSR spending.

2. Analyze the Body Shop's power using both levels and spheres of power discussed in Chapter 1. How do you assess the company’s stated mission?

Macrolevel is the power that is exerted by corporate America, the totality of business enterprises. Power emanates from sheer size and dominance. Intermediate level refers to groups of corporations acting in concert to produce a desired effect. Microlevel power is that of the individual firm. At this stage, we would say that TBS is exerting power by making the consumer more aware of ecologically sound products. Individual level power is the power exerted by the individual corporate leader. Anita Roddick exerts considerable power at the individual level to make her company a success.

Spheres where power may be exerted include economic, social, cultural, individual, technological, environmental or political areas of life. TBS exerts its firm and individual level power in several arenas. Technologically, they are bringing a new type of product to market and creating a new market as a result. The environmental aspects of these products are obvious. The presence of these new products creates a power for change in the political and social spheres of life.

The Body Shop’s Mission Statement includes the commitment “to dedicate our business to the pursuit of social and environmental change.” The mission also includes the following: “We use our stores and our products to help communicate human rights and environmental issues.” While these excerpts from the company’s stated mission indicate a commitment to the ethical and philanthropic responsibilities required by corporate responsibility, the firm also has an obligation to pursue its economic responsibilities. While the pursuit of these objectives is admirable and has been recognized in the international community, The Body Shop may be criticized for exploiting these responsibilities at the expense of its economic and/or fiduciary responsibilities to its shareholders. To the extent that the company can pursue this mission and meet its economic responsibilities, its managers are engaging in moral management.

1. Does The Body Shop employ any questionable practices with respect to hiring? The Body Shop asks potential employees questions about "personal heroes" and individual beliefs. Is it ethical to ask such questions of applicants? Are such questions fair to the applicants?

The Body Shop does refuse to hire employees on the basis of non-related work factors. To the extent that these questions are used to make illegal discriminatory hiring decisions, the Body Shop could face legal problems (at least in the United States). If TBS is concerned about maintaining core corporate values, these questions are probably well-intended and ethical, if one considers the good of the whole company. The issue of legitimacy brings the issue of law. In this sense, the questions are probably illegal as a basis for hiring because one's personal values do not in and of themselves determine whether an employee would be able to do the job. These questions are probably not fair to the applicant as they are being judged on the basis of things that are not legitimate job factors.

1. What is your assessment of Anita Roddick’s philosophy regarding the “purpose of a business”?

Roddick maintains that businesses exist to make social change. This purpose has traditionally been accorded to other institutions, most notably governments, religious organizations, and charities. One may argue that all businesses serve this purpose in the course of their operations. However, Roddick’s definition of “social change” involves her role as an activist, which is not commonly seen in most businesses. If Anita Roddick steps aside from her leadership role, management will need to exercise care in the way it addresses the firm’s activism, so as not to alienate the firm’s franchises and customers.

1. What are Anita Roddick’s strengths and weaknesses as a leader? Should she stay on in a managing role or step aside and allow a more experienced person to run the marketing operations?

Anita Roddick passed away unexpectedly in September 2007. She was an impassioned woman who seemed more comfortable as an activist than a manager. As her business grew, she transferred more of the daily management responsibilities to other mangers, particularly her husband, Gordon. While Anita repeatedly stated that she did not want to hire “professional” marketers, the company will be forced to focus on the marketing expertise of other individuals in the face of stiff competition.

*6. Anita Roddick claims that her firm does not advertise, yet it receives free media exposure and publicity through the social causes it champions and her personal appearances. Is this an appropriate approach for a business to follow?*

This approach is unusual in the cosmetics industry, which has traditionally relied on heavy advertising and marketing expenditures to build market share. Competitors object to TBS’s marketing strategy because it violates the accepted rules of the cosmetics industry. It should be noted that many companies have adopted “cause marketing,” the linkage of a brand or firm with a specific charity in advertising campaigns. A well-known example of this is Procter & Gamble’s association with the Special Olympics through an annual series of product coupons. The Body Shop’s approach is different, as it does not advertise; it provides donations, a pool of potential volunteers and contributors, and exposure for a variety of international organizations. The overall propriety of this approach can easily be questioned.

1. What is your opinion of The Body Shop/American Express advertising campaign? Was it a sound business decision on Roddick’s part? What does the American Express campaign imply about The Body Shop and its customers? Is this different from the image of the non-profit organizations that The Body Shop endorses? Did Roddick commit an ethics transgression by advertising through the American Express ad that contravened her earlier statements and policy, or was this different? How should she explain herself?

Some may argue that Roddick’s role in these ads was inconsistent with prior policies. However, the ads could be seen as necessary from the standpoint of long-term economic growth. By endorsing American Express and only using The Body Shop as an example of a company that accepted the card, Roddick was promoting her business in an indirect way. From a purely economic standpoint, this was probably a sound business decision even though some customers were disappointed. It is possible that Roddick was conveying more of a mainstream, conventional image for The Body Shop through her promotion of American Express. She must have perceived the need to move her company’s image more to the middle of the spectrum by doing this. This is slightly different than the kind of image she has previously projected through the kinds of nonprofit organizations endorsed. The risk of this strategy is that existing customers may be alienated by the shifting image. Previously, The Body Shop had catered to an environmentally conscious anti-corporate clientele. The additional advertising from the American Express ads may generate more clientele at the expense of losing some current customers who are alienated by a perceived switch to corporate marketing strategies.

While some students may think otherwise, Roddick probably did not commit an ethical transgression with the ads, if their purpose was to gain some much needed publicity for the firm. Because the ads were not for TBS, *per se*, it could be argued that she did not break her promise never to advertise.

*8.* *Can a company such as The Body Shop succeed, trying to balance profitability with an obsession with social causes?*

Certainly, there is statistical evidence that indicates that firms who act ethically and pursue philanthropic activities can succeed financially. In the case of The Body Shop, its own history is the best indicator as to whether it can be profitable while zealously pursuing social causes. While The Body Shop’s early success was attributable to the company’s original strategy and the championing of its social causes, the company experienced financial problems in the 1990s due to Anita Roddick’s relationship with certain entities and her positions on certain social issues. Problems with expansion in the U.S., criticism of certain company practices and increased competition all negatively impacted the company’s share price. As the company continued to struggle, it entertained potential exit strategies. In 2006, The Body Shop was acquired by L’Oréal.