**Module 10: Stakeholder Focus: Communities**

**Core Module Issues:**

* **When, if ever, is a company obligated to “give something back” to a community in which it operates?**
* **Are communities equivalent to other kinds of stakeholders, like employees and customers?**

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| **Module Teaching Notes**  Good communities and good businesses often go hand in hand. An attractive community offers a company an enhanced ability to attract and retain good workers. And major employers can drive growth and increase a town's tax base. I cited Round Rock, Texas in the textbook. You might want to add tales of dramatic growth closer to where you are.  I don't talk a lot about the dynamics of rapidly growing areas, but if it is an area of interest for you, you might create an interesting aside.  But does the relationship end there? Is a company every obligated to give something back to the communities in which it operates? If so, how far does the obligation stretch? These are the questions presented in this module, as we turn our attention fully to communities as stakeholders in a firm.  The scenario in this module looks specifically at the decision to close (or not close) a bookstore. There is no compelling reason to leave the store open, except, perhaps, out of a sense of obligation to the community in which it is located and for which it fulfills a specific need.  Before addressing the scenario, though, I like to present the four situations outlined in the textbook's background for this module and have a discussion. When should a company's leaders consider keeping a location open “for the sake of the community”?  1. A location is profitable, but it is likely that the company could generate a larger profit with a similar location somewhere else.  2. A location is breaking even but shows no signs of possible improvement  3. A location is losing a small amount of money.  4. A location is losing a large amount of money  I am always a fan of getting students' opening positions before presenting specific cases.  A couple of thoughts on the scenario questions…  Question 2 is one that often generates a lot of discussion. It is the first that asks students to weigh different stakeholders head-to-head.  And, one added idea that you might piggyback onto question 5. I came across an interesting article on “food deserts” after writing the textbook. In many areas, especially in inner cities, it is difficult to find fresh produce and other healthy food options within a reasonable number of miles of one's home. Many community activists are seeking remedies to the situation. You might end the discussion by presenting the idea of food deserts, and see if the class' ideas change any from the bookstore hypothetical. |

**Discussion Points for Scenario Questions**

# Do you agree with the general proposition that companies owe a duty to the communities in which they operate? Rate it below.

### No duty at all 🡨---------------------------🡪 Significant duty

### 1 --- 2 --- 3 --- 4 --- 5 --- 6 --- 7

## Low rating – why? don't companies depend of stable communities?

## HIGH RATING – WHY? DON'T TOWNS GET A LOT OF BENEFIT ALREADY FROM BUSINESSES SIMPLY OPERATING, EMPLOYING RESIDENTS, AND PAYING THEIR TAXES?

# Rank the following stakeholders. Place a “1” by the stakeholder that you think corporate leaders should give the most consideration when making decisions, a “2” by the second most important group, etc.

### \_\_\_\_\_ Shareholders /owners

### \_\_\_\_\_ Communities in which the company operates

### \_\_\_\_\_ Employees

### \_\_\_\_\_ Customers

## What was your top choice? Why?

## What was your bottom choice? why?

# Is there a shorter-term “substitute” action that would be easier than continuing to operate the Laredo bookstore that would be acceptable? Would making a sizeable donation, say $50,000 or $100,000, to local libraries be a reasonable alternative?

## IS KANT RIGHT? IS THERE AT LEAST SOME DUTY TO ACT HERE?

# In your opinion, would the moral obligation to keep the Laredo location open be any different if it would likely lose money if it were kept open? Would it be any different if the location would still be profitable if it were kept open – perhaps just less profitable than other locations?

# Are there other kinds of “last in town” companies that have an obligation to remain open if the location is no longer profitable but the corporation that owns the location is very profitable? What if the company is the last Grocery store? Cable TV provider? Fast food restaurant? Bank?

## [INSERT FOOD DESERT IDEA, IF YOU WISH, WITH “GROCERY STORE”].

## WHICH ARE “SPECIAL”, AND SHOULD REMAIN OPEN (IF ANY)?