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Lesson 5: Sam Walton – Disrupting an Industry

AUTHOR

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OVERVIEW

For Sam Walton, the status quo represented an opportunity to be different and to make a difference. He was a rule breaker, replacing the standard retail policies with greater efficiency and rewarding the customer with the savings. The ripples of his vision, beginning with a single discount store in Arkansas, now provide employment to more than 2 million people worldwide.

This mini-lesson is part of the Economics Arkansas iNSPIRE! series and can be used to start a class on a number of related topics including management styles, quality, or distribution. The included activities will help your students apply management and logistical strategies as they relate to their own entrepreneurial goals.

CONCEPTS

Customer Service

Logistics

Management

Supply Chain

OBJECTIVES

Students will be able to:

- Discuss the value of CUSTOMER SERVICE in establishing long-term relationships with customers.
- Differentiate between centralized and decentralized MANAGEMENT structures.
- Identify the key individuals within a simple business SUPPLY CHAIN.

TIME REQUIRED *(15 – 35 minutes)*

Bell Ringer: Steps 1 through 5 *(15 minutes)*

Mini Lesson: Steps 6 through 9 *(+15 minutes)*

Extension: Step 10 *(+5 minutes)*

MATERIALS

Visuals

- Visual 1: “Definitions”

Activities

- Activity 1A: “Centralized vs. Decentralized (LABELS)”



- Activity 1B: “Centralized vs. Decentralized (ROLES)” (1 card cutout per student)
- Activity 1C: “Centralized vs. Decentralized (SCENARIOS)” (6 strip cutouts per student)

Handouts

- Handout 1: “Video Questions” (1 per student)
- Handout 2: “Java’s Journey” (1 per team of 3-4 students)
- Handout 3: “The Boss” (1 per student)

Online Resources

- Video “Sam Walton: Disrupting an Industry”
<http://www.thisiscapitalism.com/profile/sam-walton/> (2 minutes, 49 seconds)
- Resource to search for top global producers (Custom Search in top right)
<https://www.worldatlas.com/>

RELATED LINKS

Walmart Inc.

- Our Story: Sam Walton
<https://corporate.walmart.com/our-story/our-history>

PREPARATION

1. Before class begins, print *individual* copies (1 per student) of Handout 1: “Video Questions” and Handout 3: “The Boss.”
2. Print *team* copies (1 per 3-4 students) of Handout 2: “Java’s Journey.”
3. Print and cut out Company labels from Activity 1A: “Centralized vs. Decentralized (LABELS).” Post the two labels on opposite walls in your classroom.
4. Print and cut out *individual* (1 per student) management role cards from Activity 1B: “Centralized vs. Decentralized (ROLES).” The room should have two Corporate Headquarters cards. All others, regardless of class size, will be Local Managers.
5. Print and cut out *individual* (6 per student) management scenarios from Activity 1C: “Centralized vs. Decentralized (SCENARIOS).” Each student with a Local Manager role should receive six scenarios.

PROCEDURES

1. Watch the video “Sam Walton: Disrupting an Industry” at
<http://www.thisiscapitalism.com/profile/sam-walton/> (2 minutes, 49 seconds).
2. Divide the classroom in half, and point out the labels on the two opposite walls. Identify one side as a *centralized* company and the other as *decentralized*. Have each student draw one **MANAGEMENT** role card from Activity 1B: “Centralized vs. Decentralized (ROLES).” Both halves of the room should have one Corporate Headquarters card (a total of two for the room). All other students, regardless of class size, should receive a Local Manager card.
3. Distribute the management scenarios from Activity 1C: “Centralized vs. Decentralized (SCENARIOS)” so that each Local Manager receives six scenarios. It is ok if they receive duplicate scenarios.



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4. Distribute Handout 1: “Video Questions” (1 per student). Have students individually complete the questions. Explain that the Local Managers should stay seated in their chairs until they need to visit with their Corporate Headquarters for a solution. Local Managers within the *centralized* company will need to ask Headquarters for approval on everything. Headquarters will need to hand-write their Final Management Decision on the Local Manager’s form (Handout 1: “Video Questions”). Local Managers within the *decentralized* company will need to first identify who should address each of their six scenarios—themselves or Headquarters. Allow students ten minutes to complete, understanding that many of them may not be done yet.
5. Ask teams (Question 2): “*What positives and negatives did you see in both centralized and decentralized management?*” Answers will vary but may include comments on specific *positives* (e.g., make decisions more quickly, make better decisions, take advantage of local knowledge, react to local demand or disasters, support local relationships) and specific *negatives* (e.g., lack of corporate consistency, less accountability, risk of bad local managers, may lack experience dealing with issues that Headquarters has). As time allows, offer students the opportunity to discuss their results.
6. Ask students to work in teams of 3-4.
7. Using Visual 1: “Definitions,” review each definition. Explain that teams will explore the **LOGISTICS** and global **SUPPLY CHAIN** for a simple business.
8. Distribute Handout 2: “Java’s Journey” (1 per team). Go to <https://www.worldatlas.com/> and show students how to search for the “top producers” of the ingredients. Use cocoa as an example and type “top cocoa producing countries” in the Custom Search at the top right. Scroll down and select the link. Allow teams ten minutes to complete.
9. Allow a few teams to share the results they wrote for Handout 2: “Java’s Journey.” Answers will vary but may include ideas on buying coffee beans in bulk or straight from farmers/co-ops. Students may even suggest the extreme example of purchasing a coffee/sugar/dairy farm to further reduce the cost of buying these ingredients.
10. Optional Extension Activity: Distribute copies of Handout 3: “The Boss.” Display the assignment, and ask students to complete it on their own paper in class or as a homework assignment. Ask students to identify a few stores that they love to visit and shop at *because* of their great **CUSTOMER SERVICE**. Students will need to include specific examples.



Visual 1: Definitions

Customer Service

The *process* of creating *valuable experiences* for customers before, during, and after a purchase

Logistics

The *act* of planning and organizing a complicated *activity* that involves many people

Management

The *act* or skill of controlling and making *decisions*

Supply Chain

The *combination* of steps it takes to *move* a product or service from a supplier to the customer



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Activity 1A: Centralized vs. Decentralized (LABELS)

Cut out the following LABELS. Attach each to opposite walls in your room to identify the two “companies.”

CENTRALIZED

Decentralized



Activity 1B: Centralized vs. Decentralized (ROLES)

Cut out the following management ROLES into individual cards. Each student should randomly select or be assigned one card. The room should have two Corporate Headquarters cards. All others will be Local Managers.

<i>CORPORATE HEADQUARTERS</i>	Local Manager
Local Manager	Local Manager
Local Manager	Local Manager
Local Manager	Local Manager



Activity 1C: Centralized vs. Decentralized (SCENARIOS)

Cut out the following management SCENARIOS into individual strips. Each Local Manager should be randomly provided six scenarios. Feel free to create additional management scenarios.

Customer complains about rude cashier.

Local youth baseball team asks for sponsorship.

Asked by a local BBQ sauce producer to sell their product.

Employees ask for better healthcare benefits.

Customer asks that favorite yogurt brand be added to shelves.

Employee recommends rearranging shelves for local holiday.

Local high school asks to sponsor yearbook advertisement.

Injured customer who slipped in store asks for money.

Natural disaster changes local needs for products.

Employees are complaining about the new Assistant Manager.

A growing local trend is increasing demand for a product.

Local charity asks for volunteers and employee incentives.



Handout 1: Video Questions

“Ignore the conventional wisdom.

If everybody is doing it one way, there’s a good chance you can find your niche by going in exactly the opposite direction.”

– Sam Walton

After watching the video “Sam Walton: Disrupting an Industry,” work individually to answer the following questions. The video can be found at <http://www.thisiscapitalism.com/profile/sam-walton/>.

Sam Walton had a gift for spotting opportunities to reduce business costs. Store management was one specific area in which he felt that efficiency could be increased. Sam insisted that **management** should be **decentralized**. This meant that local store managers should have the authority to make decisions that were often reserved for corporate managers back at Headquarters. In theory, this policy would allow stores to be sensitive to their individual markets and respond more quickly to any local concerns. Let’s try it out and see!

1) Use your participation in Activity 1: “Centralized vs. Decentralized” to fill out the following.

Management Role (from card) Corporate Headquarters Local Manager

Management Scenarios (from strips of paper)

Summary of Management Scenario	Who Decided? (HQ or Local)	Final Management Decision (Hand-written by HQ if Centralized)

2) What positives and negatives did you see in both centralized and decentralized management? Be ready to report your results back to the class.



Handout 2: Java's Journey

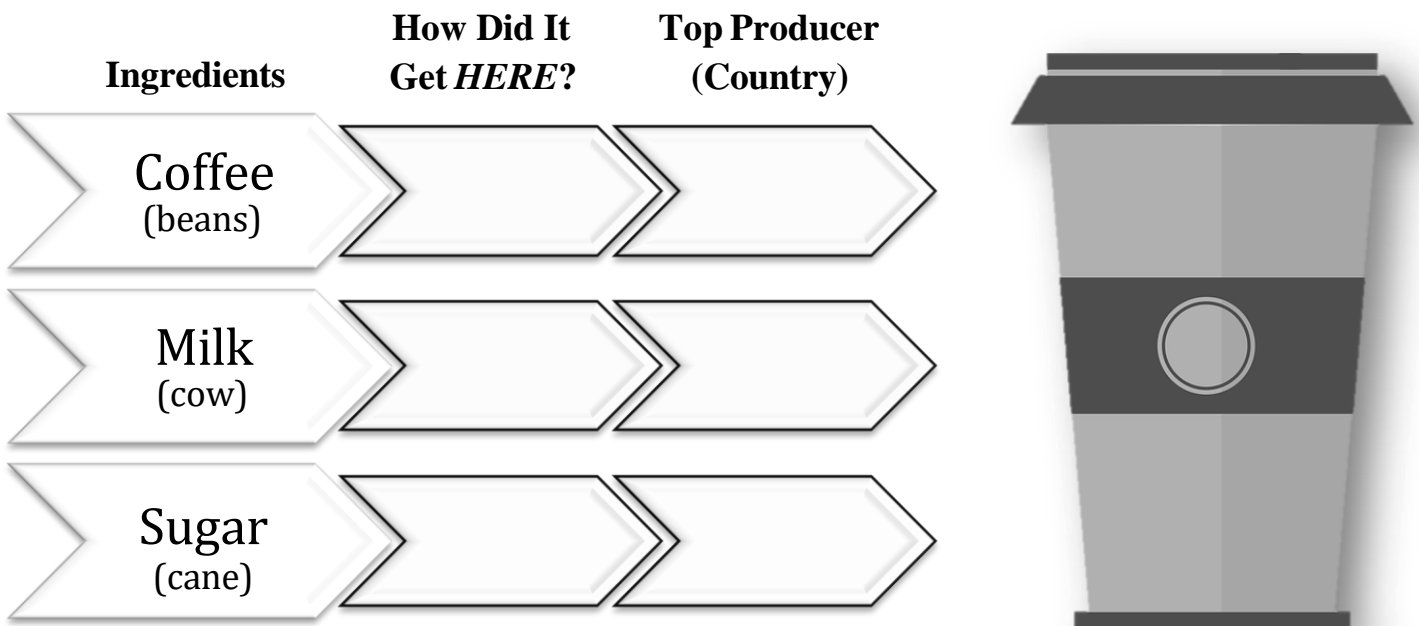
“To succeed in this world, you have to change all the time.”

– Sam Walton

When purchasing inventory, Sam Walton’s strategy was to buy in bulk and to cut out the “middle man” by purchasing straight from producers. When faced with the high costs of distributing that inventory to rural stores, he chose to start his own trucking system. Since many of these strategies are common in today’s world of retail, it may be difficult to imagine that they were *revolutionary* at the time. His vision for greater efficiency, however, was considered impossible and was initially rejected by potential investors.

By reducing the number of “links” in his *Supply Chain*, Sam Walton was able to share his cost savings with his customers. A supply chain can be described as the combination of steps it takes to move a product or service from a supplier to the customer.

Assume for a few minutes that you are opening a small coffee shop. Go to <https://www.worldatlas.com/> to trace a few of your ingredients back to their producers and get a glimpse into the complex supply chain behind even simple products.



In reality, our coffee beans come from *all* corners of the globe; and our sugar is quite possibly from the USA. If expanding your coffee shop nationally, how could you use some of Sam Walton’s cost-saving strategies?



Handout 2: Java's Journey (Answer Key)

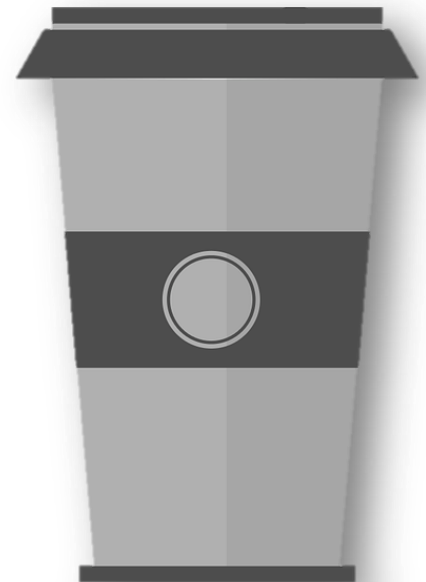
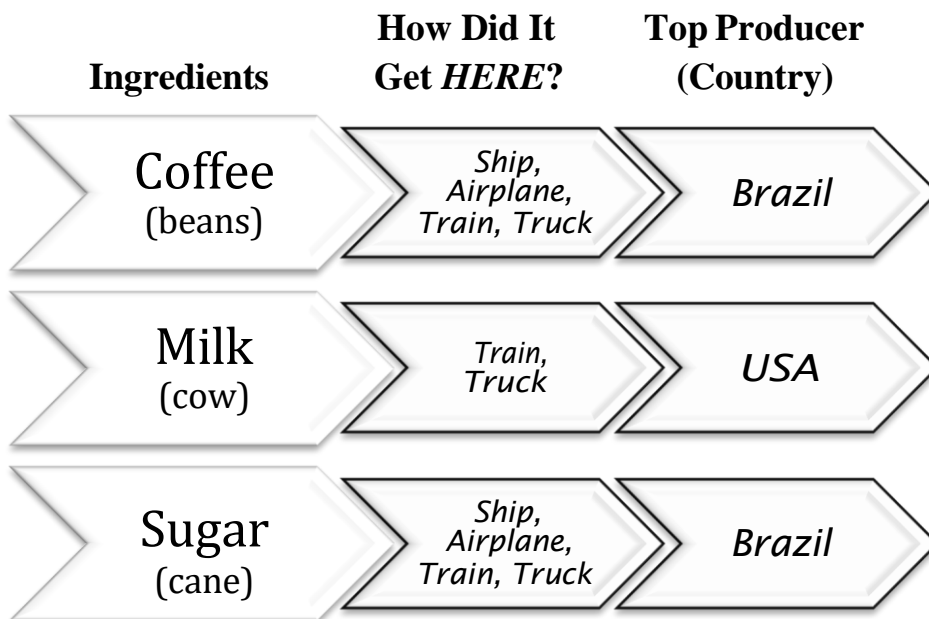
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Answers will vary but may include ideas on buying coffee beans in bulk or straight from farmers/co-ops. Students may even suggest buying farms to further reduce costs.



Handout 3: The Boss

“There is only one boss - the customer.

”And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else.”

– Sam Walton

It is common to hear an aspiring entrepreneur say that they just “*want to be their own boss.*” Sure, you might own the company; but you are **not** the boss. Sam Walton fully understood this principle. His appetite for business was not just about making another sale. His core desire was to serve the underserved and to ultimately give people more for less so they could afford a better life. This is the spirit of customer service, defined as creating valuable experiences for customers before, during, and after their purchase.

What are a few stores that you love to visit and shop at **because** of their great Customer Service? Provide a few specific examples of how they keep you coming back. Perhaps it is simply a friendly face or a speedy cashier. Perhaps it is something more personal like the occasional email with relevant discounts or remembering your name when you walk in. Customer Service itself can be centralized or decentralized. When a business chooses to decentralize these efforts, **every** employee is given the duty and the authority to create valuable experiences.

#	Company	Example of Great Customer Service	If you had to guess... Centralized or Decentralized?
1	_____	_____ _____ _____	_____
2	_____	_____ _____ _____	_____
3	_____	_____ _____ _____	_____
4	_____	_____ _____ _____	_____