06 / RESPECT FOR INDIVIDUAL AGENCY

REI

A day outside

Can closing for a major shopping day strengthen the relationship with employees and members?



REI flagship store, Seattle, 2007. Photograph: Joe Mabel.
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REI's first Black Friday closure raises a practical question about employee choice, paid time and the economics of a visible commitment.

Jerry Stritzke and the leadership team | October 2015 • reconstructed decision

35-45 minutes to prepare / 75 minutes to discuss
Original public-source teaching case • First member edition • 1 November 2026

PRINCIPLED BUSINESS IN PRACTICE

Introduction

About Principled Business

Principled Business (PB) is a nonprofit organization that brings together business leaders to advance capitalism through education, relationships and action. It helps founders, executives and investors understand free enterprise, apply its principles in their organizations, and explain the contribution business makes to people's lives.

The PB manifesto grounds capitalism in individual agency, private ownership and voluntary production and trade. These commitments take practical form in everyday business decisions.

Respect for individual agency

PB grounds capitalism in people's capacity to choose, act and take responsibility. Voluntary relationships require meaningful information, consent and room to disagree.

A paid closure can express respect for employees, but leaders still have to examine who benefits, who loses choice and who bears the cost. REI allows students to test a people policy as a business commitment. The case separates the value of time from assumptions about publicity and future sales.

PB presents this case to make the principle usable in a real business decision. Your recommendation should connect the principle to a workable policy, account for the people affected, and identify evidence that could change your mind.

What you will learn

01 Evaluate a benefit from the perspectives of different employees and members.

02 Calculate incremental closure cost without double-counting payroll or displaced sales.

03 Design a policy and review process that make a public commitment credible.

> **Apply it to your own business**
> Consider a people policy your organization presents as a benefit. How would you learn whether employees value it, and what alternatives would respect different preferences?

Source: About Principled Business; Capitalists for Capitalism Manifesto, Section 2: Respect for Individual Agency.

NOTES FOR STUDENTS AND TEACHERS

Using this case study

This packet includes the case, exhibits, worksheet, sources, answers and teaching notes. Allow 35-45 minutes to prepare and 75 minutes for discussion. Have a calculator or spreadsheet available.

Pages	What to use and when
4-8	Decision, evidence, exercise and alternatives. Read before discussion.
9	Decision worksheet. Complete before reading the answers.
10	Sources and reading notes. Check the evidence and its limits.
11-12	Worked answers, outcome and teaching plan. Read after deciding.

For students

Read once to identify the decision, then work through the exhibits. Separate historical facts from the invented classroom exercise. Use the case's decision boundary; write down assumptions when evidence is missing. Complete the calculation and worksheet on page 9. Be ready to defend your recommendation and the strongest objection to it.

For individual study, decide before turning to pages 11-12. Compare your reasoning with the worked analysis and write a short reflection on what you would change. Choose one action to try in your own organization.

For teachers and discussion leaders

Read the full packet and timed plan before teaching. Assign pages 1-10 first and reveal the final two pages after students commit to a choice. Record the alternatives, evidence and disagreements on the board.

Ask students to distinguish paid time from compelled participation in a brand campaign. Require clear incremental economics and challenge unsupported claims that publicity pays for the closure.

> **How to assess the work**
> Look for a clear choice, accurate analysis, stated assumptions, attention to affected people, a fair objection, and an implementation plan with an owner and review point. Assess reasoning rather than agreement with the historical decision.

OCTOBER 2015 • BEFORE THE ANNOUNCEMENT

The decision

REI’s leadership was preparing a decision that would be highly visible to employees and members: whether to close on Black Friday and pay employees for the day. The public announcement would cover 143 stores, headquarters and two distribution centers, affecting about 12,000 employees. Those figures reconstruct the scale of the choice; they are not inputs to the fictional financial model. [R1]

Assume the role of Jerry Stritzke and the leadership team before the announcement. The choice is whether to adopt a paid closure, remain open with voluntary staffing, or offer paid time at another date. A closure would give a clear signal about time outdoors and the organization’s priorities. It would also remove shopping access on a day when some members intended to use it.

The commitment behind the campaign

A public promise creates expectations beyond the press release. Managers must explain pay eligibility, treatment of workers whose essential duties continue, service arrangements and the freedom to use the time personally. These are policy questions for your recommendation; the case does not claim they were problems in REI’s actual rollout.

> **Decision boundary**
> Choose the policy before seeing the outcome. Do not assume media attention, later sales or employee retention will reimburse the cost. State how those effects could be measured.

THE BUSINESS LOGIC

Time, choice and credibility

Employees do not value time identically

One person may welcome a shared day off. Another may prefer a different day, extra earnings or a schedule that fits family obligations. A benefit can be valuable without satisfying every preference. A respectful policy explains its purpose, listens for burdens and provides a fair way to handle exceptions.

Members are part of the decision

A retailer serves people through availability as well as products. Closing transfers some inconvenience to members and may move sales to other dates or competitors. Early notice, clear service information and workable alternatives can reduce that burden. None proves that the original shopping need disappears.

Visibility changes the obligation

A campaign can create attention, but attention is not contribution margin. It may also put pressure on employees to perform a particular image of the company’s values. If the day is paid personal time, participation in a public activity should be treated as a separate choice.

Evaluate the policy on two linked dimensions. Is the benefit credible and fairly administered? Is the business willing and able to fund it under realistic sales assumptions? A company need not prove every benefit immediately pays for itself, but it should know the cost it is choosing to bear.

> **A question for leadership**
> Would you still support the paid day if it generated no favorable publicity? Your answer should identify the business purpose and the evidence you would review.

EXHIBIT 1 • HISTORICAL CONTEXT

The announced policy

Publicly announced feature [R1]	Question for the decision-maker
Paid closure on 27 November 2015	How will pay and eligibility be communicated consistently?
143 stores plus headquarters and two distribution centers	Which essential functions need a separate staffing arrangement?
About 12,000 employees affected	How will different preferences and circumstances be heard?
Members invited to spend time outside	How will the invitation preserve personal choice?

Do not overread the announcement

A stated policy is evidence of a commitment. It is not evidence that the commitment improved every employee's experience or increased sales. To evaluate those claims, leadership would need a comparison, relevant measures and enough time to distinguish temporary attention from sustained effects.

A review dashboard

Propose measures for policy delivery, employee experience, member inconvenience and economics. Examples include pay errors, exception handling, voluntary feedback, complaints, recaptured contribution and staffing stability. Explain who can see unfavorable results and what action follows.

> **Context and classroom arithmetic**
> The next page uses a fictional group of 20 stores. Do not multiply its results by REI's historical store count and present the result as an actual company cost.

EXHIBIT 2 • INVENTED CLASSROOM EXERCISE

What does closing cost?

Consider 20 hypothetical stores. If open, each would generate $100,000 of sales on the day. Contribution after merchandise and transaction costs, but before the day's wages, is 30% of sales. Wages are $8,000 per store whether open or closed. Closure communication and administration add $40,000 across the group.

Scenario	Sales recaptured on other dates	Additional assumption
A	0%	No extra cost of serving recaptured demand.
B	40%	Same 30% contribution rate.
C	70%	Same 30% contribution rate.

Use incremental economics relative to opening. Payroll is paid in both alternatives and therefore cancels in this comparison. Assume recaptured sales would not otherwise occur; ignore any other sales halo, retention benefit or long-run effect.

01 Calculate forgone contribution and total incremental closure cost for each scenario.

02 If an additional member relationship generates $100 of annual contribution, how many extra relationships would cover scenario B's cost in one year?

03 Why would observing that many new members after the campaign fail, by itself, to establish causation?

> **Sensitivity to the promise**
> If the alternative were an unpaid closure, wages would no longer cancel. State the comparison before calculating the cost of a benefit.

ALTERNATIVES • IMPLEMENTATION • ASSIGNMENT

Commit to a workable policy

Alternative	Potential value	Tradeoff
Paid closure	A shared, visible commitment to time away from work.	Member access and some employee scheduling preferences are constrained.
Voluntary staffing	Preserves access and some employee choice.	Voluntariness can be undermined by manager pressure or uneven incentives.
Alternative paid time	Lets employees choose a more useful date.	Coverage and scheduling may be harder; the shared occasion is lost.

Your assignment

01 Choose a policy and explain how it respects employees' agency.

02 Set out pay, exceptions, essential staffing and member communication.

03 Give a cost range and explain which uncertain effects you have excluded.

04 Design a review that can reveal disappointment or unfairness as well as benefits.

Write the message an employee should receive. Explain what the company is providing, what is optional and how to raise a concern. Then write the shorter message a member needs in order to plan a purchase or obtain service.

> **Review point**
> Specify a decision date for repeating or revising the policy. Do not make a repeated commitment depend on a metric that employees or managers cannot influence fairly.

WORKSHEET • COMPLETE BEFORE READING THE TEACHING NOTES

Your decision

Write as the decision-maker. Use the historical evidence and the classroom model for their stated purposes. A recommendation needs a boundary, an owner and a test.

My recommendation and the principle it puts into practice

The calculation or evidence that matters most; its main limitation

Who bears the risk, and how their choice or voice is protected

The strongest objection and my response

First action, accountable owner, review date and stop/change trigger

EVIDENCE • METHOD • LIMITS

Sources and reading notes

A reconstructed decision immediately before REI's October 2015 announcement. The announcement supplies factual context and the later outcome. The store cohort, costs, recapture rates and alternatives are invented.

R1 REI, closure announcement, 27 October 2015

First #OptOutside announcement; paid closure, organizational scope and member invitation.

Open source document →

R2 Principled Business, Capitalists for Capitalism Manifesto

Individual agency and voluntary relationships frame the discussion.

Open source document →

How to read the evidence

The release establishes what REI announced, not the policy's causal effect on sales, retention or wellbeing. The case does not assume that every employee preferred the same use of time or that every member welcomed the closure.

All quantities in the classroom exercise are invented unless explicitly identified as historical. The models omit factors deliberately for discussion; they are not company forecasts. Photographs are documentary context, with dates and licenses on the cover.

Original Principled Business teaching material. No company approval or affiliation with Harvard Business School is implied. No private interviews or unpublished company records were used. Public sources checked 1 November 2026.

TEACHING NOTES • READ AFTER COMPLETING THE DECISION

Worked analysis

Incremental cost of closure

Recapture	Forgone contribution	Plus administration	Total cost
0%	$600,000	$40,000	$640,000
40%	$360,000	$40,000	$400,000
70%	$180,000	$40,000	$220,000

The open-day sales baseline is 20 × $100,000 = $2 million. At 30%, the contribution baseline is $600,000. Multiply it by the share not recaptured, then add $40,000. The $160,000 of wages is paid in either alternative, so adding it again would overstate the incremental cost.

A break-even comparison, not a prediction

Scenario B requires $400,000 ÷ $100 = 4,000 additional annual member relationships to offset the modeled cost. Those relationships must be incremental and must generate the assumed contribution. A post-campaign increase could reflect seasonality, other promotions or ordinary growth. The arithmetic sets a hurdle; it does not establish the policy caused the result.

Agency in implementation

A defensible closure recommendation can accept a known cost in return for a valued employee benefit and a consistent business purpose. It should preserve personal use of the time, define exceptions fairly and investigate burdens. Voluntary staffing or flexible paid time can also be argued well if the proposal addresses coercion, access and delivery.

> **Avoid these shortcuts**
> Publicity is not profit, an invitation is not consent, and a benefit announced centrally is not necessarily a benefit delivered consistently.

TEACHING NOTES • READ AFTER COMPLETING THE DECISION

Outcome and teaching plan

What happened next

REI announced the paid Black Friday closure on 27 October 2015 and invited employees and members to spend the day outside. The source establishes the policy's scope and intent. It does not establish the incremental financial return or every participant's experience. [R1]

A 75-minute discussion

Minutes	Facilitation plan
0-10	Vote on closure, voluntary staffing or alternative paid time.
10-25	Map employee preferences and member consequences.
25-40	Calculate cost under all three recapture assumptions.
40-55	Draft employee and member messages, including exceptions.
55-65	Reveal the announcement and separate commitment from measured results.
65-75	Identify one people policy whose actual delivery needs to be tested.

> **Closing question**
> When a company calls a policy a benefit, what would demonstrate that the people receiving it experience it that way?

Assess the decision at its stated boundary. Later success cannot prove the original choice was sound; later failure cannot, by itself, prove it was unreasonable.