

AUSTRALIAN GRADUATE SCHOOL OF MANAGEMENT

MNGT5192 Business Ethics

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Bob Marks

www.agsm.edu.au/bobm/teaching/BE.html

(with the assistance of Damian Grace)

We are all moral beings, that is, we all understand the difference between right and wrong, even if we do not always behave morally. Usually, our moral instincts have developed from our upbringing, our education, and our work experience. These moral instincts, of course, do not ensure that we always do the right thing. Sometimes our loyalties are torn: loyalty to our family and to our friends, loyalty to our friends and to our country, and loyalty to ourselves and to our employer. These decisions can be moral dilemmas.

The excuse that “everyone does it” has led to the AWB scandal and worse. And just because everyone does it doesn’t mean that it’s right. The first step to behaving properly is the ability to recognise moral dilemmas. We shall present situations and get you to consider “right” behaviour in these situations.

Methods of instruction will include classes on basic moral theory and reasoning, case studies, exercises, and presentations.

This course is designed:

1. To develop moral awareness in you: while under severe time pressures, you will be faced with a constant stream of decisions about situations that rarely come labelled as “ethical dilemmas,” not “ethical temptations”.
2. To encourage you to imagine how to take a personal rôle in shaping a positive future, for yourself, your family, and your organisation.
3. To depict business as a social system of responsibilities, commitments, relationships and purposes.
4. To see relationships based on respect, honesty, fairness and trust as fundamental to the effective and ethical functioning of organizations.
5. To instil a recognition of a manager’s responsibilities toward employees, customers, community, suppliers and owners.
6. To suggest how ethical awareness can provide benefits to an organization.

By the end of this course, you should be able to:

- a. recognise and anticipate ethical issues in a range of business activities;
- b. use appropriate concepts and methods of reasoning to understand and resolve ethical problems and dilemmas in management;
- c. feel confident in explaining the importance of ethical considerations to stakeholders in business;

- d. use ethics imaginatively to enhance business decision making;
- e. recognise the value position you bring to management;
- f. identify some common forms of ethical failure and success in corporations;
- g. recognise that arguing for an ethical position is not mere preaching.

Assessment

The course will be graded as Satisfactory/Unsatisfactory. There will be seven items for assessment, and you must submit all seven:

- I. Your written responses to homework questions for four weeks ($4 \times 5\%$ each).
- II. Class participation, including team presentation of a case in class in Week 11 or 12, with a one- or two-page written outline. Each member of the class will be required to participate in the presentation of a case discussion or other class activity, as well as general discussion. Cases for discussion will be distributed on the class CD in Week 1. A one- or two-page summary of presentations should be prepared for the final class beforehand. Assessment will be based on general participation, involvement in specific activities, and the one- or two-page summary; class participation will be worth 10% of the total mark. In this exercise you should at the very least:
 - identify the ethical issues at stake and if necessary indicate why they are ethical;
 - present the facts and the salient values upon which you will deliberate;
 - argue for a conclusion indicating what objections you have taken into account;
 - suggest what measures should be taken to discourage misconduct, and encourage ethical conduct;
 - suggest how you would encourage your organisation to adopt these measures.
- III. A 2000-word individual essay on a topic to be advised in class. It should be submitted by Week 9. The essay will be worth 30% of the assessment.
- IV. A term project on a topic of your choice (which may be completed in teams of three or fewer). I'll ask you to confirm your topic with me by Week 6. The project will be worth 40% of the assessment. It should be submitted by the end of Week 12.

Readings CD and Recommended Book

The Readings CD contains readings keyed to each week's discussions (W1, W2, etc.). Please read the week's readings before class. There will, in addition, be extra handouts in class/web.

Weeks 1 and 2 will use material from Rush Kidder, *How Good People Make Tough Choices: Resolving the Dilemmas of Ethical Living*, (NY: HarperCollins, 2003). The Bookshop has copies.

Program timetable

The first session of each Tuesday will begin at 9:30, break at 10:50 for 20 minutes, and conclude at 12:30 for lunch. There will be homework for Weeks 2 to 5 consisting of reading and other tasks, taking about two hours per week. There will be five three-hour classes in Weeks 1–5, and one class in Week 11 or 12.

Week 1: Personal Ethical Dilemmas.

Class 1

1. Welcome.
2. "We all have dirty hands." Chatham House rules apply.
3. Organising principles for the course.
4. Kidder's four ethical dilemmas:
(1) Loyalty v Truth, (2) Community v Individual, (3) Justice v Mercy, (4) Short term v Long term.
5. Groups discuss dilemmas: CD/handouts.

Class 2

1. Debrief of discussions.
2. Four principles for resolving ethical dilemmas: ends-based (Mill), rules-based (Kant), care-based, and virtues.
3. Groups discuss case examples: CD/handouts.
4. Debrief and reflections (written and handed in).

Homework — Readings and Short Cases

1. Read the first, second, and third W2 readings on the CD: by Friedman (W2-1), the Reason debate (W2-2), by Kay (W2-3), and by Nash (last page of W11-3).
Questions:
 - 1a. Whose position do you agree with most: Friedman's, Mackey's or Rodgers'? Explain how and why.
 - 1b. Does Laura Nash's article (W11-3) help in answering this question? Hint: she seems to work through ethical questions systematically.
 - 1c. Do you agree with John Kay that business ought to be a profession like any

other? Explain.

2. 2a. Choose three of the questions to Mr Ethicist (CD-HW) and ask which (if any) of the four dilemmas they fall into. (Could be more than one dilemma.)
- 2b. Try to think of an ethical quandry that isn't described by any one of the four.

Week 2: Managerial Approach to Business Ethics

Class 3

1. Debrief on Homework.
2. A psychological perspective (after Noa Erez-Rein).
3. Introduction to the Managerial Approach (after Damian Grace).
Development of Corporate Culture: "Raising the ethical performance of an organisation by 1 inch" — what can go wrong?
4. Control Systems: whistle-blowing (Enron, WorldCom), code of conduct (Stonecipher - CD), auditing (Andersens), boards + governance (HIH), exemplars (Welch & Dunlap), training, reward systems. [Readings CD and web.]
5. Ethical: failures and successes.

Class 4

1. Individual v corporate ethics — unpacking Kidder.
Ethics: behaviour towards employers, employees, customers, suppliers, rivals, the environment.
Case examples — Merck (web and CD).
2. The firm ≠ a person: three theories of the firm.

Homework — handouts/CD.

1. Read the Ford Pinto case (web and CD) and Grace's summary of Jackall (W1-6).
Questions:
 - 1a. So, is there an ethical issue in the Ford Pinto case? If so, what should Ford have done differently?
 - 1b. Is there something unethical about using cost-benefit analysis?
 - 1c. How close is Jackall's analysis to your experience of working in organisations?
 - 1d. Were you aware of any measures to protect or improve the ethical culture of organisations where Jackall's analysis seemed to apply?
 - 1e. Summarise the impact of the managerial attitudes Jackall identifies on the functioning of the corporation.
 - 1f. What strategies would you suggest to change those attitudes?
2. Can you resolve two questions to Mr Ethicist's answers (CD-HW) using the principles of resolution of ethical dilemmas from today's class (rules-based, outcome-based, or Golden Rule)?

Week 3: Organisational Ethics/Cross Cultural Ethics

Class 5

1. Debrief on Homework.
2. Kidder's 6–9 steps for resolution.
3. Application to cases.

Class 6

1. Team discussions (4 handouts on real-life situations, CD))
2. A General Discussion.

Homework —

1. Read the Coastal Uniforms case (CD-HW), and answer: 1a. Discuss the issue of Coastal's Rule 35 and the incentives it provides. 1b. Identify any legal and ethical issues that Andrew Vilas need to be aware of. 1c. Discuss the advantages and disadvantages of each decision Andrew has made and could make. 1d. Advise Andrew what he should do. 1e. In your experience, is the culture at Coastal unusual?
2. Read Plender & Persaud (CD-HW) In the light of this article, how might you improve the ethical culture at a company such as Coastal, if you were Andrew's boss?

Week 4: Organisational Ethics/Cross-Cultural Ethics.

Class 7

1. Debrief on Homework.
2. Relativism, or "But they're not like us ..."
3. Eastern philosophies (of our trading partners).
4. Cases for discussion:
Classic Containers (CD-HW), SEA Inc (CD-HW), Kader fire (CD-HW).

Class 8

1. DVD clips — Carter, Kay, Roberto — and discussion.
2. Corporations can change: Shell, Ok-Tedi (web and CD-HW).

Homework: Three readings: Steidlmeier (W4-3), plus handouts on "Big Brother in China" (CD-HW), the Classic Container Corp. (CD-HW), and AWB (CD-HW).

Questions:

- 1a. What is the ethical significance—if any—of cultural differences in business?
- 1b. Think about this: when in Rome, do as the Romans do. When people behave like barbarians in Rome, the Romans resent it. Is it not the same in business today?
- 1c. On the other hand, if the standards that prevail in Dallas (or Baghdad) are not the

same in Sydney, then what is the point of having them?

1d. Can areas of difference be partitioned so that MNCs can be culturally sensitive yet ethical according to their own corporate lights?

Week 5: How Useful are Codes of Ethics?

Class 9

1. Debrief on Homework
2. Jeff Immelt and GE in China (Broughton: Harvard Loses Its Lustre, CD).
3. The MBA Oath (web)
4. Writing Codes of Ethics
See <http://www.mbaoath.com/> and the refuseniks
<http://www.agsm.edu.au/bobm/teaching/BE/oathrefuseniks.html>

Class 10

1. *Enron: The Smartest Guys in the Room*, the movie
2. Discussion

Homework — Preparing Presentations

Week 11: Presentations

Class 11

1. Group presentations
2. Write down 4–6 key things you've learnt.
3. Division into pairs for the Walk & Talk over the break.
4. Walk and Talk in chosen pairs.

Class 12

1. Action plan debrief.
Discussion of learning (& how you feel differently),
Debrief: "What are you still concerned about?"
2. Course evaluations.

Reflections Guide

Reflection is key to turning experience into sustainable knowledge. As a part of the practice of self-learning and development, when you engage in ten minutes of reflection on the day, please take time to *write* your answers to the questions below. Note too the date and whether you are writing in class or after class.

1. Activities — what was done in class today (individual/pairs/group work etc.)?
2. Content — what were the key concepts and issues?
3. Critical reflection — were things clear to you? did you agree/disagree with content? is there content that might be relevant but was not discussed? List.
4. Reflecting on action: Did anything you did/learn today help you understand past behaviour, yours or others'? Examples?
5. Reflecting for action: Did anything you learn today affect how you would behave in the future? Examples?
6. Further Reflections: Any insights on the action/thoughts you had in class today? Examples?