

AUSTRALIAN GRADUATE SCHOOL OF MANAGEMENT

IP: Business Ethics

September 25 – 29, 2006
www.agsm.edu.au/~bobm/teaching/BE.html

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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 IP 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.”
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 IP, 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 IP will be graded as Satisfactory/Unsatisfactory. There will be five items for assessment, and you must submit all five:

- I. Your written responses to homework questions for three nights (5% each).
- II. Class participation, including five-person team presentation of a case in class on Friday, 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 in class on Monday. A one- or two-page summary of presentations should be prepared for the 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 30% 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 five-page individual essay on a topic to be advised in class. It should be submitted by 6 October. The essay will be worth 55% of the assessment.

Readings Package and Recommended Book

The Readings Package contains readings keyed to each day's discussions (D1, D2, etc.). Please read the day's readings before class. There will, in addition, be extra handouts in class/web.

Monday and Tuesday will use material from Rush Kidder, *How Good People*

Make Tough Choices: Resolving the Dilemmas of Ethical Living, (NY: Fireside, 1995). The Bookshop has copies.

Program timetable

The first session of each day will begin at 9:00, break at 10:50 for 20 minutes, and conclude at 1:00 for lunch. On Wednesday and Thursday there will be presentation sessions from 2:00 to 3:00 here. Afternoons will be available for reflecting, reading, writing, and syndicate discussions. There will be homework on Monday to Thursday consisting of reading and other tasks.

Monday: Personal Ethical Dilemmas.

Class 1

1. Welcome. [all]
2. “We all have dirty hands.” Chatham House rules apply. [REM]
3. Organising principles for the IP. [DG]
4. Kidder’s four ethical dilemmas: [REM]
Loyalty v Truth, Community v Individual, Justice v Mercy, Short term v Long term.
5. Groups (of 5) discuss dilemmas: web.

Class 2

1. Debrief of discussions. [REM]
2. Three principles for resolving ethical dilemmas: ends-based (Mill), rules-based (Kant), and care-based. [DG]
3. Groups discuss case examples: web.
4. Debrief and reflections (written and handed in). [DG]

Homework — Readings and Short Cases

Questions: Do Friedman and Humber between them defeat the case for business ethics? Is Friedman correct in his definition of the responsibilities of business or does he miss something? Does Humber succeed in convincing you of the irrelevance of stakeholder theory? What, short of legal compulsion to do so, should businesses do to satisfy themselves that they are operating ethically? Does Laura Nash’s article help in answering this question? Hint: she seems to work through ethical questions systematically.

Tuesday: Managerial Approach to Business Ethics

Class 3

1. Debrief on Homework. [REM]

2. A psychologist's perspective. [NER]
3. Introduction to the Managerial Approach. [DG]
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 (Stonecifer), auditing (Andersens), boards + governance (HIH), exemplars (Welch & Dunlap), training, reward systems. [Readings Package and web.] [DG]
5. Ethical: failures and successes. [DG]

Class 4

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

Homework — handouts/web.

Questions: So, is there an ethical issue in the Ford Pinto case? If so, what should Ford have done differently? Is there something unethical about using cost-benefit analysis?

How close is Jackall's analysis to your experience of working in organisations? Were you aware of any measures to protect or improve the ethical culture of organisations where Jackall's analysis seemed to apply? Summarise the impact of the managerial attitudes Jackall identifies on the functioning of the corporation. What strategies would you suggest to change those attitudes?

Wednesday: Organisational Ethics

Class 5

1. Debrief on Homework. [REM]
2. Guest Speaker: Mr Peter Houston from the NSW Roads & Traffic Authority.
3. A Roundtable Panel Discussion. [all]

Class 6

1. Kidder's 6–9 steps for resolution. [REM]
2. Application to cases. [REM]

Homework — three readings.

Questions: What is the ethical significance — if any — of cultural differences in business? 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? On the other hand, if the standards that prevail in Dallas are not maintained in Sydney, then what is the point of having them? Can areas of difference be partitioned so that MNCs

can be culturally sensitive yet ethical according to their corporate lights?

Thursday: Cross-Cultural Ethics.

Class 7

1. Debrief on Homework. [REM]
2. Relativism, or “But they’re not like us ...” [DG]
3. Eastern philosophies (of our trading partners). [REM]
4. Cases for discussion: [DG]
Classic Containers, SEA Inc, Kader fire.

Class 8

1. Video clips — Carter, Kay, Roberto — and discussion. [DG/REM]
2. Corporations can change: Shell, Ok-Tedi (web). [DG]

Homework — Preparing the Presentations.

Friday: Presentations

Class 9

1. Group presentations — 5 groups (up to 12 minutes MAX each).
2. Write down 4–6 key things you’ve learnt.
3. Division into pairs for the Walk & Talk over the break. [REM]

Class 10

1. Walk and Talk in chosen pairs.
2. Action plan debrief. [DG/REM]
Discussion of learning (& how you feel differently),
Debrief: “What are you still concerned about?”
3. 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?