

**Business Ethics and Corporate Responsibility – MBAC 6000
SPRING 2008**

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COURSE DESCRIPTION: The purpose of this course is to critically think about ethics and social responsibility in the business context. Additionally, the course will refine these critical thinking methods within the context of content that focuses on timely issues in business and organizations.

There are numerous approaches taken to courses like MBAC 6000, some leaning heavily toward philosophical traditions and others leaning heavily toward applied, real world cases. We will review some classic ethical and social responsibility theories, but will always try to do this with the objective of using the theories to solve concrete ethical problems. Although we will draw on these more traditional pedagogical approaches, we will also focus heavily on informational literacy and methods for weighing **facts and data** to make ethical decisions based on **reason**.

COURSE OBJECTIVES:

- To be well versed in methods for gathering reliable and valid information
- To see the utility in gathering information from diverse and varying perspectives.
- Using reason and methodical approaches to critical thinking when diagnosing an ethical problem and arriving at a solution.
- To gain knowledge about how to think proactively about ethical problems before they occur.
- To become familiar with some classic theoretical approaches to social responsibility and ethics.
- To gain some initial exposure to pressing issues regarding social responsibility and ethics, including policies toward family, environmental sustainability, international business practices, marketing, and recent corporate scandals.

OPTIONAL TEXT & READINGS:

An optional text is listed below. My preference is to use original sources and to have students reach their own synthesis and conclusions after critically examining original documents. I see this is a key skill set in any course, but particularly for one in which it is important to have the ability to locate and then critically think about problems or fields of study outside your specialty area. Your readings will be available for download through the library or easily accessible through online journals.

Linda K. Trevino and Katherine A. Nelson, *Managing Business Ethics, Straight Talk About How To Do It Right*, John Wiley & Sons, 2004

INSTRUCTIONAL METHOD: Class time will be devoted primarily to discussion and experiential learning. I often use Socratic method, asking students to answer a series of questions regarding a reading or case for minutes at a time. Of course, your voluntary participation is much appreciated, as ethical issues can be “fun” to discuss as a group. Often times your colleagues will disagree with you on issues that are particularly emotionally laden topics and as always, we want to maintain professionalism and mutual respect regardless of the disagreement on a topic. Many weeks you should be finding articles, reading articles, and providing well-written briefs for your colleagues. The success of the course relies upon a collective effort in the interest of making judicious decisions regarding important ethical problems.

EVALUATION CRITERIA: The course is graded A to F. A late assignment will be **lowered 25%** for every day late. **Computer problems** under any circumstances will NOT excuse a late paper or assignment. Papers are only accepted in hard copy, **not as attachments** through email. There are **no makeup assignments or extra credit** and missed deadlines must be accompanied with written verification for why the exam was missed (e.g., doctors note). Essentially, to miss a deadline and have it excused, there needs to be a health emergency for you or a family member. In addition to expecting regular class attendance and informed class participation, course grades will be based on the following:

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| 1. Participation: | 20% |
| 2. Oral Presentation: | 20% |
| 3. Written Proposal: | 20% |
| 4. Midterm | 20% |
| 5. Final | 20% |

Participation:

If you come to class consistently prepared, these are easy points. However, not having thoroughly completed the readings and having some original thoughts about the readings will result in a 20% reduction in your participation grade after two “free passes.” An absence or being called on when you are tardy counts as one of your two “free passes.” Thus, it is important to attend, to be on time, and to be prepared.

Oral Presentation:

Making a well-reasoned ethical decision requires access to the relevant information. This “good information” often does not present itself easily. You have to dig, think hard, and at times suffer just a bit to find the relevant information you need to make a well-reasoned ethical decision. This being said, it is important to engage in gathering primary source information, critically thinking about that information, and then aggregating that information into a compelling and judicious case. After we move through the first few weeks, I will demonstrate how one could progress through this information gathering and aggregating process as we discuss social responsibility and ethics regarding work/family issues.

In subsequent weeks, small groups of three will deliver brief, but information packed, presentations on the topic for the week. These information rich presentations will provide the basis for our discussion for the week. It is up to your small group to gather primary source articles including peer reviewed journal articles, policy reports, annual reports from companies, and some popular press articles. However, the bulk of your research should be based on primary source information. Rubrics for grading will be provided to guide your construction of your presentation and you will get to see me do it a few times to get a sense of what an “A” presentation would look like.

Written Proposal:

A written version of the topic covered in your oral presentation is due one week before your oral presentation. Once again, detailed grading rubrics will be given to you in class to guide your construction of this assignment. The page range for the written proposal should be 8 to 10 pages.

Midterm and Final:

My tests are not intended to be tricky or to generally make your life miserable. The midterm and final will be a combination of multiple choice and short essay. Questions focus on theory, broad summaries of data, critiques of existing theory and data, and the application of theory and data to applied problems.

ACADEMIC INTEGRITY

A university's intellectual reputation depends on maintaining the highest standards of intellectual honesty. Breaches of academic honesty include cheating, plagiarism, and the unauthorized possession of exams, papers, computers programs, or other class materials that have not been released by the instructor. CU-Boulder's student-run Honor Code became effective in spring semester 2002 in the Leeds School of Business. The purpose of the Honor Code is to establish communication about academic ethics among the schools and colleges. In addition to academic sanctions imposed by the faculty, students found guilty of cheating also face consequences ranging from attending a mandatory class in ethics to expulsion. More information about CU-Boulder's Honor Code may be found at www.colorado.edu/academics/honorcode/Home.html.

When in doubt about plagiarism, paraphrasing, quoting, or collaboration, consult with the course instructor.

Disability Services:

If you qualify for accommodations because of a disability, please submit to me a letter from Disability Services in a timely manner so that your needs may be addressed. Disability Services determines accommodations based on documented disabilities. (303-492-8671, Willard 322, www.Colorado.edu/disabilityservices)

Sexual Harassment:

Sexual harassment is unwelcome sexual attention. It can involve intimidation, threats, coercion, or promises or create an environment that is hostile or offensive. Harassment may occur between members of the same or opposite gender and between any combinations of members in the campus community: students, faculty, staff, and administrators. Any student who believes that s/he has been sexually harassed should contact the office of Sexual Harassment (OSH) at 303-492-2127 or the Office of Judicial Affairs at 303-492-5550. Information about the OSH can be obtained at: <http://www.colorado.edu/sexualharassment/>

Course Schedule

1.15.08 – Importance of Social Responsibility and Ethics

Purpose: The purpose of the first class is to discuss the focus of this course, the rationale for such a focus, and how you can help make this a great course. My job is not to tell you what to think about a given ethical issue, but rather to help you consistently apply a concrete set of skills to think in a wise manner about important ethical problems. We will also discuss one value that I will impose upon you in this course; that most ethical decisions should at least entertain the use of reason and not just intuition.

Skill Set: Introduction to Decision Analysis

Reading: None.

1.17.08 – Being Ethical vs. Moral & Reason vs. Intuition

Purpose: In Appendix A, you can see one method for thinking through problems that I will use extensively throughout the course. One of the first steps, a necessary step to avoid subsequent confusion, is to make sure that people have a common vocabulary for discussing problems. There is a difference between ethics and morals and one can reach decisions through reason or intuition. Your reading introduces focuses on the importance of reason in ethical decision-making, one from a more philosophical stance and the other from a psychological position.

Skill Set: Critical thinking

Reading:

Rachels, J. (2002). Chapter 1.

Tversky & Kahneman (1992). Advances in prospect theory. *Journal of Risk & Uncertainty*.

1.22.08 –Why Are You Moral (or Immoral)?

Purpose: Of course, we all like to assume that we are moral and reasonable beings. However, substantial data would argue that we could be quite unreasonable and consequently immoral. Self-interest, emotions developed in more threatening evolutionary environments, and group-think can all contribute to toward immoral means and ends. Today we work toward making it “automatic” for you to recognize such threats to morality and how to avoid these unfortunate circumstances from unfolding in the first place.

Skill Set: Critical thinking, clinical versus actuarial decision making, information literacy.

Reading

Haidt, J. (2001). The emotional dog and it’s rational tail. *Psychological Review*

Dawes, Faust, & Meehl (1991) Clinical versus actuarial judgment. *Science*.

1.24.08 –What Are Your Ends & Means?

Purpose: At this point, we might agree that reasoned ethical decisions are at the very least a desire component of ethical and moral decision making. You also know PREDICTABLE errors people make in ethical reasoning and have some initial sense of how to avoid this at the individual and group level.

Although you know quite a bit regarding the mechanisms underlying how immoral decisions happen, we have not really discussed how “good” decisions or moral decisions happen. This becomes a bit more philosophical and we review a classic paper on utilitarianism to discuss what your broad *theory* or decision making might be.

Skill Set: Theory building, theory critique, applying theory to real world situations.

Reading

Mills, J.S. (1863). Utilitarianism.

1.29.08 – “Functional” Families & the Workplace

Purpose: The next four classes walk through a specific problem of social responsibility and ethics, corporate responsibility for employee’s family life. Arguments on this topic could range from concluding that corporations have no responsibility for something so personal as an employee’s family life to corporations taking a very active role in nurturing employee’s family life. Although this topic is important, the primary focus is on the *process* of how we attack this problem and eventual solution. Today, the focus is on how to define a problem, develop a plan of attack for understanding the problem, and then finding high quality, diverse information to inform your analysis.

Skill Set: Defining core problems, informational literacy.

Reading: White & Rogers (2000). Economic circumstances and family outcomes. *Journal of Marriage and the Family*.

1.31.08 – Work – Family Balance

Purpose: You know from the previous class that family is not functioning optimally, to say the least, in the United States. Although it is helpful to understand the end state of where family stands on average, it is also helpful to understand at a more molecular (daily life) level, what it is like to try to be a successful business person and also nurture a healthy family. Our analysis centers around whether corporations make it logically impossible or at least very difficult for people to be both successful at work and nurture a healthy family.

Skill Set: Descriptive data, basic projections from data, defining core problems.

Reading: Perry-Jenkins, Repetti, & Crouter (2000). Work and family in the 1990s. *Journal of Marriage and the Family*.

2.5.08 – Diagnosing Corporate Family Policy

Purpose: This class we continue building our skill set for methodically thinking about a complex social responsibility and ethics decision. If it is quite difficult, in some cases, to be success in both work and family endeavors because of corporate policy, what does this mean in the long-run? Today we discuss the idea that ethical decisions often times focus on what seems right at the moment, but fail to methodically and judiciously examine the long-term costs and benefits of a decision. If one decides that it is not the place of a business to worry about family life, then what are the long term economic and human benefits and costs of such a decision. Conversely, if one were to decide a “family friendly” workplace is important, what are the long-term costs and benefits of that decision?

Skill Set: Statistical projections, cost-benefit analysis (economic, human)

Reading: Anderson, Morgan, & Wilson (2002). Perceptions of family friendly policies. *Journal of Family and Economic Issues*.

2.7.08 – Ethical Interventions for Corporate Family Policy

Purpose: Regardless of what you decide about ethical family policy for businesses, there is the need to critically examine the facts and data you possess at a deeper level. We take your knowledge from methods and statistics regarding theory and correlation and extend it to applied thinking. Is your “theory” of family policy: (1) logically consistent, (2) in agreement with known data/information, and (3) falsifiable? Regarding data, if it is primarily correlational in nature, have you evaluated: (1) the direction of the effects, (2) accurate statements regarding causation (or lack thereof), and (3) possible third variables.

Skill Set: Theory building, research methods, statistical inference, anticipating critiques

Reading: Drago, Constanza, et al. (2001). The willingness to pay for work-family policies. *Industrial and Labor Relations Review*.

2.12.08 - What Is Sexual Harassment?

Purpose: This is the first week of group presentations. The range of behaviors that can count as sexual harassment are numerous and varied. In this class we discuss the definitions of sexual harassment, the ambiguity in many definitions, the role of the individual, and new ideas regarding harassment in which no power differential exists.

Skill Set: Theory critique.

Reading: O’Leary-Kelly, Paetzold, & Griffin (2000). Sexual harassment as aggressive behavior. *The Academy of Management Review*.

2.14.08 - Sexual Harassment Policy

Purpose: What role does a businesses need to play in preventing and punishing acts of sexual harassment. What are the legal risks involved if someone is sexually harassed and not protected by the organization and conversely if someone is wrongly accused of behaviors that do not constitute sexual harassment. The role of both prevention and intervention are discussed.

Skill Set: Implementing policy, prevention, legal considerations

Reading: Marshall (2005). Idle rights: Construction of sexual harassment policies. *Law & Society Review*.

2.19.08 – Marketing & Free Will

Purpose: Children and teenagers spend tremendous amounts of income each year on products ranging from Pepsi to Barbie dolls. This week we examine how companies market and whether some practices would qualify as “predatory” from a moral perspective. There are two key questions for this class: (1) what are common marketing practices directed at children, (2) are these practices ethical (i.e., legal and in line with corporate rules), and (3) are these practices moral. Key to answering the third question is the role of children’s free will.

Skill Set: Philosophical content on free will, marketing.

Reading: Cross (2002). Valves of desire: Parents, children, & marketing. *J of Consumer Research*.

2.21.08 – Can the Free Market Protect Itself from Itself?

Purpose: McDonalds received some unwelcome national attention a few year ago when the movie *Supersize Me* was released. The movie essentially argued that McDonalds could be a harmful product to consumers health and that the company was acting in an immoral manner. But was McDonalds acting immorally or unethically? This class we examine if companies have the moral responsibility to protect people from their own decisions.

Skill Set: Philosophical content on free will, marketing, transparency.

Reading: Smith, A. (1895). Ch 1. From *An Inquiry Into the Nature & Causes of the Wealth of Nations*.

2.26.08 – Midterm & then Responsibility to Stakeholders

Purpose: Some might argue that one of the most ethical things a company can do is to be profitable. Certain decisions in the interest of morality *may* actually jeopardize the financial health of a company. In instances that pit a major policy decision that is less than moral against the long-term financial health of a company, what is the most moral decision to make? Employees, shareholders, and the general public may carry very different interests in these instances.

Skill Set: Multilevel ethical analysis, balancing diverse stakeholders

Reading: Friedman (1970). The social responsibility of business is to increase its' profits. *New York Times Magazine*.

2.28.08 –Responsible Projections & Transparency

Purpose: One might argue that a major responsibility toward stakeholders is to be transparent as an organization. However, transparency also carries potential costs such as exposing unprotected intellectual property or alarming stakeholders who do not fully understand a situation. What issues should be transparent and which ones should be more secretive and what are the costs and benefits to these decisions?

Skill Set: Cost-benefit analysis, organizational structure, statistical projections

Reading: Bushman, Piotrosky, & Smith (2004). What determines corporate transparency? *Journal of Accounting Research*.

3.4.08 –Corporate Scandal

Purpose: What would a social responsibility and ethics class be without a little corporate scandal. The groups presenting this week should have no difficulty in locating very recent instances of corporate scandal, but the more challenging task will be to explain how such egregious errors became possible in

the first place. This is an excellent week to integrate thinking and content from previous weeks on transparency, corporate culture, and the “right” people.

Skill Set: Multilevel ethical decisions, organizational structure.

Reading: Coffee (2005). A theory of corporate scandals. *Oxford Review of Economic Policy*.

3.6.08 - Creating Infrastructure to Prevent Scandal

Purpose: From the previous class we know a bit about what conditions can lead to corporate scandal and in this class we focus on what should be done regarding intervention. What types of policies have corporations adopted to prevent scandal? A multilevel analysis is important here in deciding whether intervention happens at: (1) hiring, (2) creating preventative infrastructure, or (3) needs to come from outside regulation.

Skill Set: Multilevel ethical decisions, organizational structure, public policy

Reading: Hemraj (2004). Preventing corporate scandals. *Journal of Financial Crime*.

3.11.08 – The Mortgage Crisis

Purpose: Trying to understand the ethical and moral failures of the mortgage crisis is complex. Fault could be placed on those selling risky mortgages to those less qualified, to banks who violated company policy regarding diversification of investments, or even to buyers to complex “packages” that were so complicated that their values has now become almost impossible to estimate.

Skill Set: Philosophical issues regarding free will, transparency, following corporate guidelines.

Reading: Bernanke (May 17, 2007). The subprime mortgage market. Speech delivered at the Annual Conference on Bank Structure and Competition.

3.13.08 –Dealing with the Fallout of Unethical Behavior

Purpose: Now that the subprime mortgage crisis is in full swing, what is the ethical way to deal with fallout from previous ethical failings. Does the responsibility ultimately fall on the individual (i.e., consumer) or does it fall on business. Furthermore, what are the long-term consequences of some of the proposed “interventions” by business to help alleviate some of the current problems.

Skill Set: Crisis management, cost-benefit analysis, statistical projection.

Reading: Fellows & Mabanta (2007). Borrowing to get ahead and behind. Brookings Institute Brief.

3.18.08 –Auto Industry & Environment

Purpose: We live in Boulder, Colorado and so I am making an assumption here that I think is safe. Most people in class are probably pro-environment on many issues. Some may not be and that’s fine, but I think the majority will be pro-environment. Thus, it would probably not be as fruitful in this big environmental unit to discuss how much we agree that we love the environment, but rather our focus will

be on concrete acquisition of knowledge and skills to solve environmental issues. Today a guest speaker from the EPA teaches us how to calculate our environmental impact and specifically focuses on the auto industry.

Skill Set: Calculating environmental impact.

Reading: Wackernagel et al. (2004). Calculating national and global ecological footprint time series. *Land Use Policy*.

3.20.08 –Engineering & Alternative Fuels

Purpose: Many solutions have been suggested about the most responsible ways to address environmental concerns regarding automobiles and fuels. This class focuses on the various alternative fuels being discussed, the economics (and politics) behind these fuels, and the environmental impact of producing and using these various fuels. The social responsibility piece centers around the idea how to balance multiple responsibilities to multiple stakeholders in defining organizational policy on fuels.

Skill Set: Calculating environmental impact, cost-benefit analysis, multilevel ethical decisions.

Reading: Ogden, Williams, & Larson (2003). Societal lifecycle costs of cars with alternative fuels/engines. *Energy Policy*.

3.24.08 - 3.28.08: Spring Break

4.1.08 – Public Policy & Environment

Purpose: The United States recently made a verbal agreement to commit to environmental policies more in line with other nations. However, the U.S. government has generally lagged behind other nations in environmental protection measures. In the absence of federal intervention, some companies have taken it upon themselves to improve their environmental policies, sometimes producing innovative products and methods for profit. Today we focus on building concrete and emotional momentum for ethical decisions that will become organizational policy or strategy.

Skill Set: Vision building, coalition building, persuasion.

Reading: Loschel & Zhang (2002). The economic and environmental implications of the U.S. repudiation of the Kyoto protocol. *Review of World Economics*.

4.3.08 – Ethical Issues with Global Outsourcing

Purpose: People generally agree with the phrase that the “world is flattening.” Outsourcing to developing nations is now fairly common practice, but ethical considerations have sometimes lagged behind. The purpose of the class today is to describe the prevalence and types of ethical violations that have occurred with outsourcing to developing nations. The consequences of these ethical violations on product quality, public relations, and the bottom-line are also reviewed.

Skill Set: Defining problems, generating descriptive data, and estimating broad impact of unethical behavior.

Reading: Stainer & Grey (2007). The ethical landscape of outsourcing performance. *International Journal of Business Performance Management*.

4.8.08 – Wages & Working Conditions in Developing Nations

Purpose: What is a fair wage for someone in a developing nation with an average per capita income that is exponentially less than the average in the U.S.? We consider this issue at the individual level, familial level, and societal level in its' consequences. Furthermore, what are fair working conditions and can we assume that the same regulations for working conditions in the United States would be the most ethical regulations within a different cultural context?

Skill Set: Sustainability, projection, multicultural competence.

Reading: Rodrick (1997). Sense and nonsense in the globalization debate. *Foreign Policy*.

4.10.08 – Community Impact of Outsourcing to Developing Nations

Purpose: What happens to a community in a developing nation when a company decides to establish overseas operations in that community? Beyond economic benefit, are there unexpected costs that are incurred at the societal level that would not naturally occur to U.S. business people? Furthermore, how would an organization maximize benefits from economic benefits while minimizing societal upheaval and costs?

Skill Set: Utilitarianism, multicultural competence.

Reading: None.

4.15.08 – Guest Speaker: Nike Representative on Ethical Outsourcing.

Purpose: To hear applied examples of the ethical complexities with outsourcing.

Skill Set: Utilitarianism, multicultural competence.

Reading: Knight & Greenberg (2002). Promotionalism and subpolitics. *Management Communication Quarterly*.

4.17.08 – Closing Comments & the Future of Social Responsibility & Ethics

Purpose: Bring together the various topics and skills covered during the course of the semester. We also examine the future of social responsibility and ethics.

Reading: None.

4.22.08 – Final Exam

APPENDIX A

1. Define.
 - a. Are there competing definitions? Do these competing definitions say something meaningful about the phenomena under study? Which of these definitions is most compelling based on theory and data?
 - b. Is the definition broad or narrow? Does it leave room for wide interpretation?
2. Prevalence.
 - a. Point prevalence. How often does it occur in a given time span (e.g., hour, day, year) across all people?
 - b. Lifetime prevalence. What are the chances of it occurring in one's lifetime or how many times does it occur on average in one's lifetime?
 - c. Do prevalence rates differ across certain groups? Are there sex, racial, or geographical differences that are important to know about?
3. Correlates.
 - a. What variable(s) is associated with the construct of interest?
 - b. Are there multiple variables associated? If so, which is the most potent predictor?
 - c. If there are multiple variables involved, are they organized in a theory?
 - d. What are the specific limits on inference based on this correlational design?
4. Longitudinal Correlates.
 - a. Are there variables that are associated across time?
 - b. Are there variables that predict the occurrence of the construct later?
 - c. Does the occurrence of the construct predict certain outcomes or consequences?
 - d. How does a longitudinal design strengthen inference? What are the limitations on inference that still exist in a non-experimental correlational design?
5. Experimental Evidence.
 - a. Are there laboratory studies that meet criteria for experimental design?
 - b. What can be inferred from the experiment?
 - c. What are the limitations of the experiment that limit inference?
6. Treatment Evidence.
 - a. Are there experimental designs that have assessed whether a "treatment" or "intervention" changes outcomes compared to a control group?
 - b. Durability. How long do these positive effects last?
 - c. Dose. How much of an intervention was needed to produce results?
 - d. Contraindication. Did anyone get worse in the treatment group?
7. Transportable.
 - a. Can the treatment be easily learned by other managers, leaders, employees?
 - b. Can the treatment be easily administered to any type of person/group?
 - c. How do the characteristics of the sample in an experiment limit confidence in who would benefit from the treatment?
 - d. Can this treatment be implemented in a cost effective manner?
 - e. Can the positive effects of treatment be sustained over time?