

Peter F. Drucker and Masatoshi Ito Graduate School of Management
CLAREMONT GRADUATE UNIVERSITY

MGT 533: Morality and Leadership

Professor Karen L. Higgins
Fall 1 2008
Tuesdays, 7 to 10 p.m.
September 2 through October 14

This course explores the moral dimension of executive leadership. The central, recurring theme of the course is captured by a fundamental question: faced with conflicting basic responsibilities, uncertainty, relentless competition, and a morally imperfect world, how can a leader create a high-performing organization and still live an honorable life with integrity?

Leaders cannot avoid difficult moral issues – they go with the territory. Leadership, by definition, affects the lives of others both within the organization and outside it. Thus, it inherently has moral ramifications. For example, leadership is inextricably linked to achievement of collective purpose, and the quality of this purpose can stimulate the moral aspirations of the group. By seeking to satisfy authentic needs and to energize the higher aspirations and values of their “followers,” effective leaders can engage more of their followers’ full selves in the common cause. Furthermore, a leader must ultimately be judged by the actual constructive change the organization achieves as measured by the satisfaction of human needs and by how people within the organization conduct themselves in the pursuit of its purpose. These are moral consequences and they are the cornerstones of outstanding leadership.

James McGregor Burns, in his path breaking book *Leadership*, called this cycle of cause and effect “transforming leadership” and observed that it results in:

a relationship of mutual stimulation and elevation that converts follower into leaders and may convert leaders into moral agents. . . . Leaders and followers raise one another to high levels of motivation and morality. . . . [This] transforming leadership ultimately becomes *moral* in that it raises the level of human conduct and ethical aspiration of both leader and led, and thus it has a transforming effect on both. Perhaps the best modern example is Gandhi, who aroused and elevated the hopes and demands of millions of Indians and whose life and personality were enhanced in the process. Transcending leadership is dynamic leadership in the sense that the leaders throw themselves into a relationship with followers who will feel “elevated” by it and often become more active themselves, thereby creating new cadres of leaders. . . . That people can be lifted *into* their better selves is the secret of transforming leadership.

Among the most difficult and important decisions managers face are ones which pose sharp conflicts among their responsibilities and which cannot be resolved on a

"business as usual" basis. Sometimes, these are cases in which managers' economic responsibilities – to self, shareholders, customers, suppliers, and other economic parties – clash sharply with their ethical responsibilities to their own consciences, values, and moral beliefs, to other individuals, and to society as a whole. In other cases, conflicts arise among one's ethical responsibilities themselves.

Such conflicts can be extremely difficult to resolve. They usually involve judgments about "gray areas" in which facts and the applicable ethical standards are unclear. The ethical aspects of such decisions raise issues of basic personal beliefs and values which differ from person to person and which often cannot be reconciled by persuasion or by examination of the facts. Since most managers have little experience in thinking rigorously and systematically about the ethical aspects of their decisions, issues of conflicting responsibilities often become emotional, hampering communication and compounding disagreement. Yet the members of a management team, regardless of differences in their personal values, must be able to reach decisions and work cooperatively to implement them.

In practice, there are three questions which can help managers resolve these issues. The first of these is: *what are the responsibilities at issue in this situation?* Although the specific responsibilities vary from case to case, certain broad categories of responsibility appear again and again.

Once the conflicting responsibilities have been specified, the next step is to ask: *what standards should guide the resolution of the conflict?* The answer to this question is especially important because many of the conflicts and failures of communication that arise in ethical discussions have origins in the different ethical standards that different people apply to the same set of facts and responsibilities. Contributing to the difficulty is that these standards usually are subjective and implicit. We will work on developing different ethical lenses, each based on important philosophical traditions, which can be used in concert to identify and analyze ethical dilemmas. The readings entitled "Ethics and Management" and "Morality: Consequences and Duties" provide the introductory foundation for these lenses.

Once the moral reasoning is clear, the appropriate approach to the problem may emerge. But often disagreement remains precisely because the lenses provide conflicting guidance for a particular situation. For example, one's moral *duty* in a particular situation can conflict with the action that produces the most favorable *consequences*. How these conflicts are ultimately resolved depends on the values of the person or persons who make the final decision. Consequently, a third fundamental question arises: *whose ethical judgment should prevail in the situation: my own, my colleagues', or that of some broader community -- such as the company or the community at large?*

Careful thinking about ethical issues helps decrease the likelihood that the manager will make costly mistakes. Issues in which responsibilities conflict often involve very high stakes and high visibility. They affect values within the company and can damage relations with the company's major constituents (customers, shareholders, suppliers and the general public). The way managers handle these issues can fundamentally alter their effectiveness and credibility because it reflects their personal integrity and courage, influences the trust

others are willing to place in them, and can communicate conviction or vacillation on issues that matter deeply to many other members of an organization.

In seeking to both better understand the linkage of leadership and ethics and to improve your competence as a leader, a central objective of the course is to develop *your* analytical and judgmental skills in dealing with gray situations involving moral and managerial dilemmas. Integrally related to this objective is the examination of the relationship of ethical behavior to (1) organizational performance, (2) one's effectiveness as a leader, and (3) at a very personal level, building a life of integrity and character. Consequently, this course is an examination both of the ethical dimensions of leadership from the philosophical perspective of moral reasoning and of pragmatic issues concerning personal and organizational performance.

Course Requirements and Grading

All members of the class will be expected to study each of the assigned cases and be prepared to discuss them in class sessions. In addition, you will be required to write an individual paper, which will be due on **Tuesday, September 16**, and a Final Report, which will be due on **Monday, October 21**.

Performance will be evaluated based on the following criteria:

	<u>Weight</u>
Class participation	40%
Paper: Who I Am	10%
Final Written Report	40%

The weights add only to 90%. The other 10% will be allocated to either class participation or to the final report, wherever you do the best.

I will be happy to discuss the course, your progress, or any other issues of concern to you on an individual basis. Appointments can be made directly with me by e-mail (Karen.Higgins@cgu.edu) or by telephone (760-382-3287).

ATTENDANCE POLICY:

Because of the importance of the class discussions to learning in this course, participants who miss two classes will be withdrawn from the course. Students are expected to complete a make-up assignment should they miss any one class.

INDIVIDUAL PAPER: Who I Am and What I Believe

Due Date: Tuesday, September 16, 2008

The most outstanding leaders have developed an innate sense of who they are and what they believe. Recent literature describes leaders who have and use this self-awareness as “authentic leaders”. They consider self-awareness as a critical component of personal and business success. A recent study of 125 leaders found a common thread among successful leaders: these “authentic” leaders had committed to developing themselves and had devoted a lifetime to realizing their potential. They “...demonstrate a passion for their purpose, practice their values consistently, and lead with their hearts as well as their heads. ...They know who they are.”¹

As we learn about morality, ethics and values in organizational life, it is important to know yourself well, so that you may lead well. Articulating your own beliefs and values is an important step toward this goal. For this assignment, think about your personal values and

¹ George, Sims, McLean, and Mayer, “Discovering Your Authentic Leadership,” *Harvard Business Review*, February 2007, pp. 129-138.

beliefs, considering the ethical theories and cases we have discussed up to this point in the class. Think about self-defining questions such as: What are the origins of your character and your integrity? What are your defining characteristics that make you uniquely “you”. Who are you, at your center? What are your core beliefs and values? What inside you cannot be compromised and is not for sale? After considering these theories and questions, write a short paper describing who you are and what you believe.

Your grade will not be based on the content of your values and beliefs, but rather on your ability to communicate clearly. Your paper will be confidential. The paper should be typed (12 point), double spaced, and the text should not exceed three pages.

FINAL REPORT ASSIGNMENT:

Due Date: Tuesday, October 21, 2008

Please prepare a paper responding to the following outline. The paper should be typed (12 point), double spaced, and the text should not exceed eight pages. The paper will be evaluated as a whole. The paper will be judged primarily on the quality of the analysis (its depth and breadth) and the linkage of this analysis to your recommendations for action.

1. Describe a situation involving a difficult moral dilemma which you have faced at work or which you have witnessed others facing. Please describe the essence of the dilemma, its context within the organization, and why it was not easily resolved.
2. Identify and analyze the ethical perspectives embodied in the dilemma.
3. Describe the action you recommend to resolve the dilemma. Please provide your reasoning for choosing this course of action.

Assignments and Study Questions

The material for the course is readings and cases. There is no assigned text. The following is the schedule we will follow. The questions are to guide your study.

SESSION 1, September 2: FOUNDATIONS FOR ETHICAL REASONING; RESOLVING THE CONFLICT OF ONE'S RESPONSIBILITIES TO THE ORGANIZATION AND TO ONESELF

Readings:

- Louch, "Ethics and Management", 1994
- Ellsworth, "Morality: Consequences and Duties", rev October 2004
- McCoy, "The Parable of the Sadhu" (*Harvard Business Review*, September-October 1983, pp. 103-108)

Cases and Study Questions:

The Individual and the Corporation: Kathy Levinson and E*Trade (A)

1. What are Kathy Levinson's obligations? What factors should she weigh in deciding what to do?
2. What should Levinson choose to do?
3. As an investor in E*Trade, what decision would you want her to make?
4. If Levinson decides to become publicly involved in the Proposition 22 campaign, what action should Christos Cotsakos take regarding her?
5. Should companies have an explicit policy to cover public statements by employees? If so, what should the policy say? (Please be prepared to summarize the key points of such a policy, including to whom it should apply, the process for administering it, and the appropriate sanctions for violating the policy.)

The Parable of the Sadhu

1. What moral dilemmas did the situation with the Sadhu present to Buzz McCoy and Stephen?
2. What, if any, valid lessons about executive leadership can be drawn from their experience with the Sadhu?

SESSION 2, September 9: PERSONAL INTEGRITY, SELF AWARENESS AND WORK

Readings:

- Ellsworth, “Personal Integrity”, rev 10/12/04
- Ellsworth, “The Moral Dimension of Adult Development: A Psychological Perspective”
- Wieand, Paul, “Drucker’s Challenge: Communication and the Emotional Glass Ceiling” (in *Cases in Leadership*, W. Glenn Rowe, Sage Publications, 2007, pp. 263-269)

Cases and Study Questions:

ProTech, Inc.

1. Would you advise ProTech to maintain its long-term commitment to the control systems business and to the Control Systems Division?
2. What are Scott Clifford's responsibilities in this situation?
3. What conflicts do these responsibilities create for him?
4. What action would you recommend he take? Why?
 - a. How should he respond to Joanne Lember's questions?
 - b. How should he respond to the inquiries from Exxon?

Trends, Inc. (A)

1. What are the critical issues facing Carl Heim in this situation?
2. What action should he take?
3. What consequences is this recommended action likely to have on the organization and his career?

SESSION 3: September 16: LEADERS' RESPONSIBILITIES FOR CREATING A MORAL CLIMATE

Reading:

- Gellerman, "Why 'Good' Managers Make Bad Ethical Choices" (*Harvard Business Review*, July-August 1986, pp. 85-90)

Cases and Study Questions:

Broken Trust: Role of Professionals in the Enron Debacle

1. In what ways did the professional firms contribute to Enron's collapse?
2. What are the underlying causes of the failures of the professional firms to prevent Enron's demise? Is there a consistent pattern among these causes?
3. Do these failures have a moral dimension or are they just the result of poor business judgment?

The Ethics of Financial Window Dressing

1. What are James Reilly's and Maureen Henricks' responsibilities in this situation?
2. If you were Reilly or Hendricks, what action would you have taken? Why?
3. What action should Sandy Weill, Citigroup's CEO, take in response to the actions of Reilly and Hendricks?

A Staffer Ordered to Commit Fraud Balked, Then Caved

1. What are the principal lessons to be learned of Betty Vinson's experience?
2. What were the principal aspects of her dilemma that led her into this quagmire?

WestWood Securities (A)

[from Shostack, "WestWood Securities (A)" in David Sharp, *Cases in Business Ethics*, Thousand Oaks: Sage Publications, 2006, pp. 261-265]

1. How would you characterize Phil Diamond's dilemma?
2. What would you do?

Due Today: Individual Paper “Who I Am and What I Believe”

SESSION 4, September 23: LEADERS' RESPONSIBILITIES FOR CREATING MORAL CLIMATE

Reading:

- Messick & Bazerman, "Ethical Leadership and the Psychology of Decision Making," *Sloan Management Review*, Winter 1996, pp. 9-22

Cases and Study Questions:

Ann Hopkins (A)

1. What caused the problem described in the case?
2. Was the problem avoidable? If so, how? If not, why wasn't it?
3. What should Ann Hopkins do?

Sears Auto Centers (A)

1. What is the nature of the problem facing Sears? How serious of a problem is it for the company?
2. What is your evaluation of Sears' response to the investigation?
3. Should Sears' management have done anything differently? If so, what and why?
4. What should Brennan do now?

Sending Mixed Signals at Boeing

[from Craig Johnson, *Ethics in the Workplace*, Thousand Oaks: Sage Publications, 2007, pp. 243-245]

1. Evaluate the decisions made by Boeing's board of directors. What did members do right? Wrong?
2. What messages did the board send through its handling of this incident? Do you agree that board members sent mixed signals?

SESSION 5, September 30: THE PURPOSE OF CORPORATIONS IN SOCIETY

Readings:

- Ellsworth, “Property Rights: The Shareholders’ Rights and Responsibilities,” Chapter 6 from *Leading with Purpose*, CA: Stanford University Press, 2002
- Friedman, “The Social Responsibility of Business is to Increase its Profits”, *New York Times Magazine*, September 13, 1970, [pp. 32-33, 122, 124, 126]

Cases and Study Questions:

Property Rights

1. What are the main justifications for private property?
2. How well do these justifications apply to the ownership of common stock in a public corporation? (Distinguish between the rights of ownership of the securities – such as the shareholders’ rights to the company’s residual cash flow – and their rights regarding the underlying corporate assets.)

Friedman, “The Social Responsibility of Business is to Increase its Profits”

1. With what parts of Friedman's argument do you agree and disagree? Why?
2. How could his argument be modified to more closely fit your view of the responsibility of business?

The Body Shop International

1. What role do values play in the management of The Body Shop and in its success to date?
2. In infusing her values into the organization, is Anita Roddick acting as a responsible corporate leader? Why, or why not?
3. As a consultant to Anita Roddick, what advice would you give her regarding where to draw the line on the infusion of her personal values into the company? What criteria would you use to define the personal values that would be unacceptable to infuse?

SESSION 6, October 7: MORAL RESPONSIBILITIES IN A FREE-MARKET SOCIETY

Cases and Study Questions:

Roy Vagelos and the River Blindness Decision

1. Should Roy Vagelos have approved further development of human applications of Mectizan in the 1970s? Why or why not?
2. In 1987, should Vagelos approve Merck's manufacture of Mectizan? If not, why not? If so, what action should he take regarding pricing and distribution?
3. What principles should guide his decisions?

This Case Sucks: Beavis, Butt-head, and TV Content

1. What are the principal issues at stake in the controversy over "Beavis and Butt-head"?
2. What is your evaluation of MTV management's response to the controversy surrounding the show?
3. What action would you advise the show's creators and producers to take at the end of the case? What action, if any, should Sumner Redstone, Viacom's CEO, take? Why?
4. What action should the show's advertisers, such as Nike and Nestle, take? Why?

SESSION 7, October 14: LEADERS AS MORAL AND ECONOMIC AGENTS: AN INTERNATIONAL PERSPECTIVE

Readings:

- **Drucker, “What is ‘Business Ethics’?”**, *The Public Interest*, Number 63, Spring 1981, pp. 18-36
- **Donaldson, “Values in Tension: Ethics Away from Home”**, *Harvard Business Review*, Sept-Oct 1996, pp. 4-12
- **Johnson, Craig, “Improving Group Ethical Performance: Responding to Ethical Danger Signals”**, *Ethics in the Workplace*, Thousand Oaks: Sage Publications, 2007, pp. 154-164

Cases and Study Questions:

Economic Development & Government Payments

1. What are the critical factors that make this an ethical dilemma?
2. What would you advise Miller and Jenkins to do at the end of the case?

Hitting the Wall: Nike and International Labor Practices

1. What is your evaluation of the major differences in Nike’s and Reebok’s policies governing the international production of their shoes?
2. What responsibilities does Phil Knight have in defining Nike’s sourcing strategies?
3. What, if anything, would you advise Nike’s senior managers to do differently? Why?
4. If Nike’s sourcing policies can be proven to create a significant cost disadvantage relative to their competitors, what action should Phil Knight take?

Moral Exclusion at Abu Ghraib

[from Craig Johnson, *Ethics in the Workplace*, Thousand Oaks: Sage Publications, 2007, pp. 165-168]

1. What are the dangers and moral implications of treating “outsiders” differently?
2. Do cultural differences among different nations affect moral behavior?
3. Is there a difference between individual ethics and group ethics?