

MGMT 441 BUSINESS ETHICS

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Winter Quarter 2008-09

DESCRIPTION

This course examines the ethical aspects of individual and corporate decision making in business and provides resources for making ethical decisions within the context of managerial practice.

RATIONALE

A course in business ethics is an important part of management education since:

- Ethical concerns are inherent in situations faced by managers at all levels of business organizations, and
- Ethical awareness and sound ethical judgment are essential for individual success and organizational effectiveness.

The consequences of neglecting ethics in business include ruined careers, organizational strife, tarnished corporate reputations, significant harm to employees and the public, heavy legal liability, and increased government regulation.

The questions considered in this course are difficult because they involve controversial issues that fall outside the expertise of most managers and are not easily incorporated into the ordinary decision-making process. However, certain values, such as honesty, trust, respect, and fairness, are critical in business relations, and business decisions affect the well-being and rights of many different parties, including shareholders, employees, customers, suppliers, and the community. For these reasons, ethical issues cannot be avoided in business decision making, and managers bear great responsibility not only for their own behavior but also for the ethical climate of their organization and the impact of business activity on society.

This course recognizes that business is conducted by economic organizations in a highly competitive market environment. In addition, managers often make decisions under severe time pressure without sufficient information. Ethical decision making in business cannot be considered apart from the complexity and uncertainty of actual situations. The focus of the course, therefore, is on ethical questions from the point of view of the practicing manager, with the aim of making ethical decisions that are consistent with effective corporate management.

OBJECTIVES

The objectives of this course are the development of the attitudes, knowledge, and skills that enable managers to make ethical decisions and to implement them effectively in an organizational setting. The course does not seek to impose any particular values or standards but provides, instead, an opportunity for examining one's own moral convictions and those of others and for exploring how they can be integrated into management practice. Specifically, the objectives of this course are:

Attitudes

- To appreciate the essential role of ethical values in business relations and the importance of the ethical treatment of others for individual success and organizational effectiveness.
- To accept the responsibility that managers have for their own behavior, for the ethical climate of their organization, and for the impact of business activity on other groups in society.
- To recognize the legitimacy of the demands that society places on modern corporations in the American business system to exercise their power responsibly and to be generally beneficial.
- To develop a respect for the legal and regulatory structure of business and an attitude of willing compliance, along with a recognition of the limitations of law and regulation.
- To foster a sense of personal integrity and purpose, including an awareness of the moral significance of one's action and the courage to act in accord with one's own moral convictions.

Knowledge

- To be aware of the specific ethical issues which arise as an integral part of management, of the factual background in which these issues are embedded, and of the ways in which these issues are commonly analyzed.
- To be acquainted with the concepts and principles of ethical reasoning which have been developed in ethical theory, and to be able to apply these concepts and principles to specific ethical issues.

- To recognize the opportunities and obstacles and the inevitable trade-offs which are involved in making ethical decisions in business situations and in implementing ethical decisions within the context of an organization and a competitive market.
- To understand the legal and regulatory structure of business as it bears on ethical issues in business and the ethical basis of that structure, including areas where existing law and regulation are open to ethical criticism.
- To understand the ethical basis of corporate organization and governance, including the ethical arguments for and against the concepts of corporate social responsibility and stakeholder management.
- To be aware of the ethical problems that arise in international business, and to develop a framework for ethical decision making in a cross-cultural environment.

Skills

- To recognize ethical issues in one's own experience and to analyze them correctly.
- To make sound ethical and managerial decisions and to implement those decisions within the context of an organization and a competitive market.
- To communicate with others in order to express one's own ethical values and standards, to engage others in moral deliberation, and to develop a consensus on a course of action.
- To provide leadership in creating and maintaining an ethical climate in an organization and in fulfilling a corporation's responsibility to shareholders, employees, customers, suppliers, and the community.

PROCEDURE

The course material consists of readings and cases from the textbook and other sources. The readings are intended to provide: (a) descriptions of the ethical problems that arise in business, (b) the tools of ethical analysis, (c) the analyses of these problems that have been offered by philosophers, legal theorists, and others, and (d) possibilities for resolving these problems in actual practice. The cases are used as opportunities to apply the tools of ethical analysis and analyses learned from the reading and to formulate and implement one's own decisions in realistic business situations. Class sessions are conducted primarily by case discussion. The assigned reading will be reviewed in class with some opportunity provided for questions, but it is assumed that the reading will be understood without much classroom assistance. In order for the case study method to work, it is essential that all assigned reading be done before class and that everyone be prepared to discuss the assigned cases.

REQUIREMENTS

In addition to the reading the assigned materials and participating in class discussion, the requirements for the course include two writing assignments and one group project. The grade for the course is determined as follows: the two writing assignments 25% each, the group project 25%, and participation 25%.

Students are expected to attend every class. Since the course consists of ten three-hour sessions, an absence from even one class involves missing a significant portion of the course. It is recognized, however, that students must miss a classes on occasion for good reasons. The policy is that if you cannot attend a class, notice must be given to the instructor by email either before the class period or on the next day after an absence. Students are also expected to stay for the whole class period. If it is necessary to leave before the end of class, you must notify the instructor beforehand.

The course makes use of Blackboard. In addition to material posted on Blackboard, this system will be used to submit all writing assignments. Students are responsible for learning how to gain access and work with files in Blackboard and for ensuring that the system has their preferred email address. For instructions, see the documents *Student Quick Start* and *Working with Files* on the Blackboard logon page.

GROUP PROJECT

In the group project, each group addresses one aspect of the question, Is Wal-Mart a responsible company? Each group chooses one specific area of responsibility with regard to some stakeholder group, such as employees, customers, suppliers, the community, or society, and prepares a debate with one side taking the affirmative and the other, the negative of some debate proposition. Debates are held in the ninth class period, on February 9, 2009. Each group submits a position paper in support of an affirmative or negative position. More detailed instructions are provided later.

READING

The reading for the course consists of a textbook and other articles and cases, which are available from various sources. The source for each item is indicated in the schedule below. Material marked [B] is posted on Blackboard. Material marked [S] is available from Study.net.

The textbook for the course, which is available in the bookstore, is John R. Boatright, *Ethics and the Conduct of Business*, 6th ed. (Upper Saddle River, NJ: Prentice Hall, 2009). Make sure that you have the new, sixth edition of the textbook.

To access materials from Study.net, go to www.study.net and register as a student. Once you are registered with a username and password, you can access the materials for this class. You will pay a fee for each document. This fee covers only the royalty charge; use of Study.net itself is free. Once

you pay the fee, you can download and print out documents and save them on your computer. You can also order a packet of the printed material, paying 7 cents per page. This amount covers only the cost of printing since you have already paid the royalty charge. By using Study.net, you have a choice of printing out the material yourself or paying this service to do it for you. To use Study.net, you will need to have an Adobe Acrobat Reader. Full instructions are given on the Web site.

OFFICE HOURS

Office hours are maintained in McGuire Hall, Room 420, on Mondays from 9:00 to noon, and 2:00 until 5:00, and other times by appointment. Telephone: (312) 915-6994. You may also communicate through fax at (312) 915-6988 or (preferred) e-mail at jboatri@luc.edu. All course information, including this syllabus, is available on Blackboard.

SCHEDULE

Session 1 **Ethics and the Manager's Role** *11/10/08*

- Case: Bath Iron Works (*Case 13.2*)
- Case: Johnson & Johnson: The Tylenol Crisis (*Case 1.1*)
- Text: Business Decision Making (*pp. 3-11*)
- Text Ethics and Management (*pp. 17-22*)
- Article: The Discipline of Building Character [S]

Session 2 **Ethical Reasoning and Business Decision Making** *11/17/08*

- Note: Myth 1: It's Easy to Be Ethical [B]
- Text: Ethics, Economics, and Law (*pp. 12-17*)
- Case: KPMG and the Tax Shelter Industry (*Case 1.4*)
- Case: Merrill Lynch and the Nigerian Barge Deal (*Case 11.1*)
- Text: Cost-Benefit Analysis (*pp. 50-55*)
- Case: Exporting Pollution (*Case 2.2*)
- Note: Ethics: A Basic Framework [S]
- Case: Conflict of an Insurance Broker (*Case 5.2*)
- Case: An Auditor's Dilemma (*Case 2.3*)

Session 3 **The Nature and Purpose of Business and Firms** *11/24/08*

- Text: The Market System (*pp. 43-50*)
- Case: Lavish Pay at Harvard (*Case 3.3*)
- Text: Corporate Governance (*pp. 380-390*)
- Case: Shareholder Rights at Cracker Barrel (*Case 13.1*)
- Text: Hostile Takeovers (*pp. 327-335*)
- Case: Oracle's Hostile Bid for PeopleSoft (*Case 11.4*)
- Article: What's a Business For? [S]

Session 4 Responsibility to Shareholders and Investors**12/1/08**

- Note: The Objective of the Firm [B]
- Note: Fiduciary Duty [B]
- Text: Conflict of Interest (*pp. 122-133*)
- Text: Insider Trading (*pp. 323-327*)
- Case: Martha Stewart: Insider Trader? (*Case 11.3*)
- Case: Mall of America (A) [S]
- Case: Marriot Corporation (A) [S]

Session 5 Responsibility to Customers, Suppliers, and Competitors**12/8/08**

- Text: Marketing (*pp. 273-282*)
- Text: Product Safety (*pp. 294-304*)
- Case: Beech-Nut's Bogus Apple Juice (*Case 2.1*)
- Case: H.B. Fuller in Honduras (*Case 14.2*)
- Text: Trade Secret Protection (*pp. 111-119*)
- Text: Competitor Intelligence Gathering (*pp. 120-122*)
- Case: The Aggressive Ad Agency (*Case 5.1*)
- Article: When Is It Legal to Lie in Negotiations? [B]
- Case: Conflict on a Trading Floor [S]

Session 6 Responsibility to Employees: Termination, Expression, and Participation**1/12/09**

- Case: The Firing of Robert Greeley (*Case 8.1*)
- Text: Unjust Dismissal (*pp. 205-216*)
- Case: Ron Perez (A) [S]
- Text: Expression and Participation (*pp. 217-224*)
- Case: Worker Participation at Saturn (*Case 8.2*)
- Text: The Justification of Whistle-Blowing (*92-99*)
- Case: The Case of the Willful Whistle-Blower [S]

Session 7 Responsibility to Employees: Privacy, Compensation, Worker Protection**1/26/09**

- Case: Genetic Testing at Burlington Northern (*Case 9.4*)
- Text: The Privacy of Employee Records (*pp. 149-154*)
- Text: Just Compensation (*pp. 224-233*)
- Case: Nike in Southeast Asia (*Case 14.1*)
- Text: Wages and Working Conditions (*pp. 426-431*)
- Case: Whirlpool Corporation (*Case 9.2*)
- Text: The Right to Know About and Refuse Hazardous Work (*pp. 253-259*)
- Case: Johnson Controls, Inc. (*Case 9.3*)
- Text: The Problem of Reproductive Hazards (*pp. 260-265*)

“Marriott Corporation” (A), Harvard Business School, 394085.

“Ron Perez” (A) Harvard Business School, 306084.

Seymour, Sally, “The Case of the Willful Whistle-Blower,” *Harvard Business Review*, January-February 1988, 103-106.

Shell, G. Richard, “When Is It Legal to Lie in Negotiations?” *Sloan Management Review*, 32 (1992), 93-101.

Trevino, Linda Klebe, and Brown, Michael E., “Managing to Be Ethical: Debunking Five Business Ethics Myths,” *Academy of Management Executive*, 18(2) (2004), 69-81; source for “Myth 1: It’s Easy to Be Ethical”; “Myth 3: Ethics Can Be Managed through Formal Ethics Codes and Programs”; and “What Executives Can Do: Guidelines for Effective Ethics Management.”