

ETHICS, VALUES AND SUSTAINABILITY

Course Syllabus, Spring 2004

GEN BUS 711
Room 2280

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A Joint Effort of the
SCHOOL OF BUSINESS
And the
WISCONSIN DEPARTMENT OF NATURAL RESOURCES
UNIVERSITY OF WISCONSIN - MADISON

COURSE OVERVIEW

Objectives:

This course will introduce students to the role that ethics plays in major business decisions. Opportunities to apply the principles that we will talk about occur throughout the day in an average business. I do not intend to cover even the majority of situations where ethical considerations arise. Rather, I will focus on one area and explore in some detail how ethical considerations might influence corporate decision-making. I have chosen the area of corporate social responsibility (this is a broad term – it encompasses a wide range of issues, including environmental, transparency and stakeholder engagement issues) as a relatively new area of corporate decision-making; one where most businesses are still learning how to meaningfully anticipate and address stakeholder concerns.

Our starting point for understanding what ethics means to each of you is an examination of your underlying values. These values are usually acquired throughout life - starting with the teachings of your parents and significant caregivers and then developed and reinforced by your interactions with your peers, in your schooling and religious/spiritual education, and your personal experiences.

In the business world, integrity and trust are absolute necessities for long term, profitable business, and this knowledge is what tends to keep most professionals on course. Values tend to be the true north of the professional compass for our behaviors. It is these values that move most whistle-blowers to action. The values of trust and integrity guide the professional decisions most of us make, most of the time.

Over the last decade the question of trust in our institutions has been subject to much debate, often of a critical nature. The decade has seen protests, exposés and unfolding accounting scandals. At the same time ethical behavior and a concern for people and the environment have been shown to have a positive correlation with corporate performance. The subject of corporate social responsibility is therefore a relevant one for business.

During the 8 weeks of class, we will hear from a number of senior business managers that are running companies that have successfully integrated ethical considerations into their business model. By taking this very pragmatic approach, I hope to avoid the need to delve into the more traditional study of ethics used in most ethics classes. Thus, if you have your heart set on learning about the theories of Hume, Nietzsche, Kant, Rousseau, John Stuart Mill and others, you'll be disappointed. On the other hand, if you are interested in the interplay between ethics and strategy, strategic planning and decision-making, then this class might be just the ticket.

Keeping Up: I have tried to match the reading load with the short time that we are together, but you will still find that you will need to do a fair amount of reading to prepare for each class. I have successfully used a class listserv to discuss the readings for each class, and I would again like to use this approach. For each class, by 10:00 pm of the day before we meet, please provide a concise reaction to the readings, any questions that you have, or other observations to the listserv. Please feel free to comment on each others' observations or reactions. Please do not provide a summary of the readings. I will use your comments and questions to help shape our discussion in class.

Class participation will be a key factor in the success of the course. *This is not a course geared toward "passive learning"*. Your purpose for being in this class should be to actively engage in your own inquiry and restructure your thoughts on the role of ethics and values.

This class will formally introduce the concept of personal integrity through your responses to the readings each week. This university does not teach about the importance of integrity in any systematized way; however, I believe that any individual's future success in whatever they choose to do is attributable, to a large degree, to their personal integrity. I recently saw a chairman of the board pass along this advice regarding integrity, "In whatever organization you find yourself, remember that people talk. And its not all idle gossip. Our cultures learn to protect themselves by getting the word around about people whose honor is doubtful. You'll never be more valuable than your word. Healthy organizations also spread the word about people of incorruptible honesty. So tell the truth, deliver what you promise, let your caring show, and you'll be noticed."

In addition, PriceWaterhouseCoopers recently published their view on personal integrity "Today, it seems appropriate to reaffirm the role of personal integrity. Public trust can only come about when people of integrity are committed to doing the right thing. Doing the right thing cannot be compromised, especially through actions that purport to create value for shareholders, but which ultimately betray them. Integrity must be defended each day by asking the tough questions, by making the right decisions and by other acts of courage, both great and small. Personal integrity is not a choice. It is an obligation".

*As described above, you will be asked to provide brief comments, reflections or questions about the readings you have done. Please don't send anything if you haven't really done **ALL** the readings--ala the integrity issue. To say it again, even with the best of intentions sometimes work just doesn't get done. If your actions are guided by your integrity, you will not submit anything to the listserv for that week.*

The address for the listserv is bus-values@lists.students.wisc.edu.

A substantial amount of "out-of-class" time will be required as you develop or improve upon the ethics policy (Code of Conduct, or whatever it is called) for a company that you either currently work for, or one that you worked for in the past.

You will also be required to keep a journal through the course of this class. For each week of class (all 8 of them), I would like you to write about an ethics issue in the news during that week. This may seem hard now, but you'll easily find issues with ethical overtones that arise each week. In writing about these issues, discuss the issue, what the ethical concerns are, and why you think this issue is important enough to write about. I would like you to personalize these discussions, so try and relate the issues to an experience that you have had, or that you have first hand knowledge about.

One additional note: I encourage you to submit a draft of either paper to me if you would like help in

preparing your final submission. I have found that the writing skills of many students are not yet up to the expectations that exist in the business world. I will try and point out areas where I think you might improve.

DEVELOPING OR IMPROVING AN ETHICS POLICY

The major project for this class will be the development or improvement of the ethics policy for a business you are familiar with. You are to identify challenges that the company currently faces that support the development, or improvement, of an ethics policy. If a policy already exists, find out the story behind how that policy was developed (and describe why it was developed at the time it was). Then suggest improvements to that policy, based the ethics policy of key competitors (or customers). This project should take the form of a memo from you to the CEO outlining your recommendations for change. You should also include recommendations for how to bring about the change and how to get employee buy-in to the importance of a new or improved ethics policy. Because this is a memo to the CEO, it should be persuasive, backed up with research that justifies the changes that you are recommending, contain specific recommendations, and be concise. You know how likely it is that your CEO will read more than 5 pages, so you will need to be convincing in no more than 5 pages (single-spaced). This is not meant to be solely an academic exercise, so please draft this memo with the intent of really sharing it with the CEO or appropriate member of senior management. I will have examples of excellent papers from past classes that I will share if you need to see what others have done.

GRADING

20% of your final grade will be based upon class participation and the quality (not quantity) of your contribution to the listserv discussion.

15% will be based upon the quality of your journals.

25% will be based upon your short paper due on the 2nd of February.

40% of your final grade will be based upon the development of your final project.

In fairness to others in the class, late submissions of the written material will be penalized at a rate of 20% of the submission's value per day (e.g., your final papers presented one day late will receive at most a weight of 32 out of the 40 points available).

LIST OF MATERIALS

Books:

Ishmael, by Daniel Quinn (Island Press, 1996). \$13.95

Ethics for the New Millenium, by His Holiness the Dali Lama (New York, Riverhead Books, 1999). \$24.95

Required Readings:

Reading Packet available from Underground Textbook Exchange

Recommended Books:

Cradle to Cradle, by William McDonough (North Point Press, 2002) \$25.00

January 21) Introduction – Class Overview

The first class is designed to accomplish four things. First, the goals, purposes, structure and format of the class will be made clear through a review of the syllabus and other relevant materials. Second, students will fill out information about themselves and their expectations for the class. Following this, we will talk about the final projects and I will talk about my expectations regarding those projects. Finally, we will talk about ethics issues that are in the news in the last month.

January 26) Understanding Our Values and Why They Are Important

I want to start off the class by taking you through an exercise that will try and help you identify those values that are most important to you. Understanding the values that each of us hold dear is critical as we start through this class. One of the basic beliefs that I enter this class with is that neither I nor anyone else can “teach” you different values. Rather, we need to understand our values and then question how other values fit with the values we have.

Readings: What is Ethical?, speech by Ronald Berenbeim, April 25, 2002 (reprinted in Vital Speeches of the Day, Vol 68, No. 18, July 1, 2002).

Psychos in Suits: Corporate CEOs in Need of (an) Asylum by Jem Bendell, published by www.openDemocracy.net, July 24, 2002.

Lying for Litchfield by Rushworth Kidder, Global Ethics (January, 2004) published on-line at <http://www.globalethics.org/newsline/members/issue.tpl?articleid=01050417321617>.

Ethics for the New Millennium, Preface – p. 77.

Exercise: Identifying Values and Priorities (to be done in class)

Our values and priorities in life are among our most important attributes. Yet most of us experience some conflict between our articulated values (those values we tell ourselves and others are most important) and our lived values (the values we actually spend the greatest time and effort expressing in our lives). Some of this value dissonance may be influenced by our “should” (our perceptions about the expectations that other important people in our lives – such as family members, bosses, friends – have on us). Listed below are several commonly identified value clusters. Please add additional ones to the list. Then, identify your top seven values in each category and list them in order of priority.

COMMONLY HELD VALUE CLUSTERS

Achievement/Success
Adventure/Exploration
Authenticity/Integrity
Beauty/Aesthetics
Charitable/Giving
Commitment/Trustworthiness
Community/Support
Competency/Expertise
Competition/Rivalry

Courageous/Bravery
Creativity/Self-expression
Earth/Nature
Emotional Well-being/Self-esteem
Empathy/Compassion
Enjoyment/Pleasure
Ethical/Values Driven
Family/Extended family
Financial Security/Money

Gracious/Kind
 Harmony in Relationships/Cooperation
 Health/Wellness/Fitness
 Honesty/Truthfulness
 Hopefulness/Optimism
 Influence/Leadership
 Intimacy and Mutuality/Friendships
 Job/Career
 Justice/Fairness
 Lifelong Learning/Knowledge and wisdom
 Loyalty/Allegiance
 Purpose/Meaning in life roles
 Personal Autonomy/Independence
 Personal Growth/Self-awareness
 Prestige/Recognition
 Respectfulness/Appreciation
 Responsibility/Responsiveness
 Humility/modestness
 Tolerance/patience

Service/Generosity
 Security/Life Stability
 Spirituality/Religious Values
 Thriftiness/Prudence
 Helpfulness/Thoughtfulness
 Freedom/Individuality
 Love/Intimacy
 Other _____
 Other _____
 Other _____

My Articulated Values

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____

My Lived Values

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____

My “shoulds”

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____

My high priority lived values most closely resemble: ___ my high priority articulated values
 ___ my high priority “shoulds”

January 28) The Way It Is: Drivers of Decisions that Business People Make

I have heard from previous classes that you all have heard the message that the “prime directive” of business is maximize return for the shareholder. This is taught either overtly, or suggested, in many of your classes. This class is the only opportunity to put that assumption to the test.

Readings: Mother Earth and Other Business Blather, by Harold Geneen, from The Synergy Myth, and other Ailments of Business Today, ch. 13, (1997).

A New Moral Compass for the Boardroom by Peter Keating, Corporate Board Member, published on-line at http://www.boardmember.com/issues/archive.pl?article_id=11786

The Corporation as Feudal Estate by Marjorie Kelly, Business Ethics, Summer 2001.

Ethics for the New Millennium, p. 81 - 143.

February 2) The Classic Ethical Example: Nike and Overseas Contract Labor

You can't really take an ethics class without talking about the Nike situation. We will discuss the two case studies, written from two different perspectives.

Readings: Hitting the Wall: Nike and International Labor Practices, Harvard Business School Case Study No. 9-700-047 (Sept 15., 2000)

Nike and Global Labour Practices, New Academy of Business Case Study by David Murphy and David Mathew (January, 2001)

The Noble Feat of Nike by Johan Norberg, Spectator, originally published on-line at http://www.spectator.co.uk/article.php3?table=old§ion=current&issue=2003_11_15&id=3168&searchText= (however, this link no longer seems to work)

PAPER DUE

Your short paper is meant to prepare you for your longer final project. You will answer the question "Is legislation needed to force companies to report on their social and environmental performance?" The idea is anathema to business organizations, but non-profit groups and trade unions are stepping up pressure for mandatory reporting.

In preparing for your paper, you might do some internet research on mandatory reporting, especially in Europe, where this is a key issue right now. There is no "right" answer, and your paper will be graded upon the strength and logic of your arguments in favor of your position, and on your ability to write. I would strongly recommend sharing your paper with a classmate or me before you hand it in.

In your first paragraph, please take a position (either "yes" or "no") and provide the highlights from the balance of your paper, which should justify the position that you take. The paper is limited to 2 pages, single space with normal margins and a 12 point font.

February 4) The Myth of the Magic Rule

If you're looking for one magic rule to apply to challenging ethical dilemmas, I hate to disappoint you, but there is no such rule. Rather, making ethical decisions in business (and arguably in life) requires you to consider such things as the implications of your decision on others (stockholders, customers, employees, the community, etc.), how your decision fits with the values you've articulated as being critical to you, and whether, after weighing all the implications, you've determined that the decision is the best one you can make regarding the particular situation. To suggest that we can rely on magic rules to turn bad behavior around seems to hopelessly miss the point that these rules are only as effective as the character of the person using them.

Readings: The Golden Rule in a Gray Area Called Business, by Jeffrey Seglin, NY Times, Sept. 21, 2003.

Ethics Alarm is Being Heeded, Harry Wessel of the Orlando Sentinel, published in the WI State Journal, June 9, 2003.

Which Hat Must the Engineer Wear: The Challenger Case, published in Wake Up Calls: Classic Cases in Business Ethics by Lisa Newton and David Schmidt (Thomson/Southwestern, 2004) pp. 171 – 188.

Critical flaws in shuttles loom as potential disaster, by Kevin Spear and Jim Leusner, published in the Orlando Sentinel, August 17, 2003 (Available on-line at <http://www.orlandosentinel.com/news/custom/space/orl-asechazards17081703aug17.story>)

Ethics for the New Millennium, pp. 145 - end.

February 9) Understanding Ourselves

We will work through the following exercise in class. This is another attempt to get you to examine how you would react in a variety of situations. I have tried to make this class as practical as possible and to try and create situations that mirror situations that you might encounter at some point in your life (or you may have already found yourself facing something similar). By thinking through how you would react before you actually are in the moment, I hope that you find it easier to make a decision that you are comfortable with when you look back on it.

Readings: Barry's Method of Ethical Decision Making

Ethics: Good for Goodness' Sake by Jeffrey Seglin, CFO Magazine, February, 2002 (published on-line at <http://www.cfo.com/printarticle/0,5317,7767|M,00.html>).

Ismael, pp. 1 - 63

Discussion Questions:

Why the name Ishmael? In other words, what is the significance of the choice of this name? You'll need to find someone that remembers their bible stories to answer.

Why "Mother" Culture? What is the significance of making culture feminine?

EXERCISE

This questionnaire is designed to encourage discussion of ethical issues and to lay out definitions of ethical and unethical practices.

A Do you think that the following constitute unethical practices?

Yes
No
Depends
Don't Know

- 1 Covering up for colleagues.
- 2 Acting in favour of a client out of friendship.
- 3 Acting in favour of a client for a bribe.
- 4 Recruiting/promoting staff on the basis of family ties or friendship.
- 5 Accepting corporate hospitality.
- 6 Discriminating against staff on the basis of age, color, religion, gender etc.
- 7 Presenting misleading information.
8. Manipulating performance indicators to reach targets.
9. Give out personal or organizational information to others.
- 10 Criticizing your organization to others.
- 11 Condoning false or misleading advertising by our organization.
- 12 Abusing expense accounts.

- 13 *Blaming subordinates for mistakes.*
- 14 *Using office equipment for personal use*
- 15 *Minimizing the achievements of colleagues.*
- 16 *Telling 'white lies' to the client such as "the check is in the mail".*
- 17 *Rewarding people differently.*

B Would you encourage staff to :

Never
Sometimes
Often

- | | |
|---|--|
| 1 <i>Bend the rules to help the organization.</i> | 8 <i>Treat equal clients unequally.</i> |
| 2 <i>Ask staff to carry out a task they disagreed with.</i> | 9 <i>Misrepresent performance.</i> |
| 3 <i>Cover-up for colleagues.</i> | 10 <i>Treat colleagues unfairly.</i> |
| 4 <i>Carryout something against the law.</i> | 11 <i>Get involved in the running of the organization.</i> |
| 5 <i>Accept corporate hospitality.</i> | 12 <i>Look beyond the 'bottom line'.</i> |
| 6 <i>'Massage' statistics.</i> | 13 <i>Put their private lives first.</i> |
| 7 <i>Take unnecessary short-cuts.</i> | 14 <i>Meet targets at all costs.</i> |

February 11) The Role of "Heart" in Business

Business can exist for many reasons. As we discussed previously, one justification for business is to make money for its shareholders. But, business can also exist as a nurturing community for its employees. Companies that try to do this are often surprisingly successful. Scott will talk about the experience of SC Johnson in developing a culture that respects values other than bottom line financial values.

Guest Lecturer: Scott Johnson, Vice President, Global Environment, SC Johnson

Readings: Curse of the Ethical Executive from the Economist, Nov 15, 2001, published online at http://www.economist.com/finance/PrinterFriendly.cfm?Story_ID=863487.

Profits from Principles: Five Forces Redefining Business by Bennett Daviss, The Futurist, March, 1999, pp. 28 – 33.

Let's Not Fool Each Other with the Business Case by Sir Geoffrey Chandler, Vol 4, Issue 1 Ethical Performance, May 2002.

The Moral Malaise in Personnel Today, Aug 6, 2002 (published on-line at http://www.personneltoday.com/pt_print/pt_print.asp?liArticleID=14159).

Ishmael, pp. 67 – 148

Discussion Questions:

Consider Ishmael's airman and aircraft metaphors of civilization. What has blinded the airman?

What evidence suggests that the civilization built by Takers is not working? What evidence do Takers point to that suggests it is working?

From what laws does Ishmael suggest that Takers exempt themselves and why?

February 16) Social Responsibility as a Business Imperative

Is corporate social responsibility a business imperative? Or is it some nice fluff that is good for public relations but little else. Jenni Cawein will talk about the perspective on one multi-national on this question.

Guest Lecturer: Jenni Cawein, Baxter International, Deerfield, IL

Readings: The Next Step for CSR: Economic Democracy, Business Ethics, Vol. 16, Nos. 3-4 (May/June & July/August, 2002)

Citizen Kraemer by Bill Birchard, Chief Executive, Vol 175, (February 2002).

The Role of Multinational Corporations in Economics & Social Development of Poor Countries, speech by John Browne, CEO of BP/Amoco, delivered at Harvard University, April, 2002 (reprinted in Ethical Corporation Magazine and published on-line at www.ethicalcorp.com/printtemplate.asp?idnum=206.)

Ishmael, pp. 149 – 207.

February 18) Public Trust and Corporate Decision Making

The public's trust in business has sunk to very low levels. Even before Enron, Global Crossing, Arthur Anderson and now WorldCom, the public's trust in business was lower than their trust in government. Even so, over the last several decades, we have seen a massive transfer of power and wealth from the government to the private sector. Corresponding accountabilities however, have not been transferred, creating the paradox where the infrastructure demands a trust that the public can not give. This does limit the ability of the private sector to provide leadership. New governance models are needed at the corporate level to promote business ethics, values and transparency.

Video Excerpts from Trade Secrets, PBS Documentary by Bill Moyers

Readings:

Trouble in the Pipeline: The Corporate Promises Being Made at the Earth Summit are Likely to Prove Hollow by George Monbiot, The Guardian, Sept. 3, 2002.

Ishmael, pp, 211 – end

February 23) The Importance of Understanding the Values that Stakeholders Hold.

To achieve long-term sustainability, business needs to shift from a narrow focus on shareholder value to a broader set of corporate values relevant to a wider range of shareholders. These values include not only the environment, but things like human rights, business ethics, governance and accountability and community involvement.

Readings: The Brent Spar Incident: "A Shell of a Mess" by Norman Klein and Stephen Greyser, Harvard Business School, January, 1997.

Beyond Selfishness by Henry Mintzberg, <http://www.henrymintzberg.com> (2002).

AES Global Values, by Lynn Sharp Paine, Harvard Business School, Nov., 2000.

February 25) The Return on Responsibility: What Value In Treating People Right?

Trek Bicycle is a local company that has developed an international reputation not only for the quality of their bikes but also for the culture that they have created. John will talk about the benefits that have accrued to Trek as a result of focusing on people instead of just quarterly performance. In short, this will be a class about values at work in a company.

Guest Lecturer: John Burke, CEO, Trek Bicycle, Waterloo, WI

Readings:..

Twelve Principles of Spiritual Leadership from Timeline, March/April 2002 – No. 62, Foundation for Global Change, published online at <http://www.globalcommunity.org>

Just Values: Beyond the Business Case for Sustainable Development, by Jonathon Porritt and Chris Tuppen, published by Forum for the Future, 2003.

March 1) Acting on Your Personal Values

Personal decisions on consumption, lifestyle and career direction, reflect your values, just as surely as making a decision in the areas we talked about in class last week. In this class, I would like you to think about developing a practical strategy for achieving your own vision of your life, one that balances cultural expectations against your values. I would also like each of you to reflect on the process that was used to get you to think about the values that you hold. Each of your values is set by this time in your life. Set in such a way that few things ever cause us to look at those values. It is my belief that taking those values out of the closet and comparing them to values held by other people we respect may lead to a small change. Did it work?

Video: Celebrate What's Right with the World.

Readings: Dying of Consumption: The More we Spend, the Happier we Become. Probably. By George Monbiot, published in The Guardian, Dec 28, 2000.

Greed is the Word by Madeleine Bunting, published in The Guardian, March 3, 2003.

Money and Happiness by Polly Toynbee, published in The Guardian, March 7, 2003

Judy Wicks, case study published by The Business Enterprise Trust, No. 9-996-039 (1996)

Discussion Questions: Is it true that we can either be human and compassionate and allow ourselves

to become extinct or we can abandon our humanity and endure as a species?

March 3) Projects due by 4:30 pm.