

LGST 611 (Van Oosterhout) – 2016 Spring Q4

RESPONSIBILITY IN GLOBAL MANAGEMENT

Instructor:

J. (Hans) van Oosterhout (PhD) is Professor of Corporate Governance and Responsibility at the Rotterdam School of Management, Erasmus University, in Rotterdam, The Netherlands. He earned a MA in Political Science from Leiden University, and a PhD in Management from Erasmus University. His research is in comparative corporate governance, involving both comparisons between different national corporate governance systems and comparisons between different types of ownership and enterprise organization. His current research focuses on the firm and country level rules of the game that shape the corporate governance role of owners and executives in public firms (with a current emphasis on the corporate governance role of shareholder voting across different national contexts), the specific governance challenges that arise from different ownership assignments in firms (with a current focus on the specific governance challenges of partnerships, family firms, and philanthropies), and the country, firm, and intra-firm factors that shape the ways in which firms deal with their primary and secondary stakeholders. See:

<http://www.rsm.nl/people/hans-van-oosterhout/>

Hans is a visiting professor at the Legal Studies and Ethics Department for the spring 2016 semester.

Course aims:

This course aims to familiarize MBA students with how economic, legal ethical, political, and ethical issues are often intertwined in global business, and to equip them with the conceptual tools and practical skills to navigate these issues *responsibly* as (future) managers. Because managers routinely act on behalf of the firms that employ them, and often are responsible for developing or reforming their firms, this course will shift between organizational and managerial perspectives on the issues at hand.

The issues addressed in this course involve a variety of different concerns that are likely to be encountered by managers in global business. Although we will start with discussing some foundational insights and by exploring different ways to think about these issues, the ultimate aim of this course is to enable you to make better decisions and act responsibly in everyday practice.

The teaching approach for this course will involve class-discussion on cases, readings, current affairs articles, team presentations, and individual assignments. Because of the nature of the topics discussed in this course, class participation is weighed relatively heavily in the determination of the final score (35%). This implies that attendance is *required* (see the attendance policy below), and you are expected to be an *active* participant in classroom discussions. Please note that participation will be assessed on the basis of substantive contributions to classroom discussions and not so much on how many times students speak out. There are also two small assignments (see below) that will count towards participation. Finally, students are expected to come to class *prepared*, meaning that they should have read the required readings, such that classroom discussions can focus on the learning's and take away's from the readings and cases discussed.

Grading:

The grading for this course will comprise three components: 1) contribution to class (35%), 2) midterm team-assignment (30%) and 3) an individual case final assignment (35%). Application of the curve to the weighed scoring on these components will determine the final grade awarded.

1. Contribution to Class: (35%) Class attendance, class participation, small assignments, peer ratings, and instructor evaluation will comprise 35% of the grade. The peer-rating component will work as follows. Each student will rate (on a secure website with confidentiality assured) each other student on a 1(bottom) to 10 (top) scale based on that peer's overall, demonstrated contribution to the class's learning and development. Comments on each student's specific contributions will be solicited and weighed in the "Contribution to Class" grade awarded by the professor.

2. Team assignment (30%). Teams of 5 students will present their findings on an organization of their choice in a private presentation to the instructor in the week of classes 7 and 8. Presentations will take place in 30-minute time slots, with a 12-minute presentation, 10 minutes Q&A about the presentation, and 8 minutes feedback and evaluation from the instructor. Grades will be communicated after all presentations have been completed and compared on the grading criteria.

3. Final individual case assignment: (35%) An individual take-home case assignment will be handed out to students. Students should write a short report (1500 words maximum) on a specific case, according to pre-established requirements that will be explained in detail later. The assignment is due on Canvas **before midnight April 24th, 2016**

4. Class attendance. Class attendance is *mandatory*, but there are always good reasons why students may need to miss a class. Please notify the professor beforehand in case you need to miss a session, explaining the reasons for your intended absence. In no case should students miss more than two classes out of a total of twelve. Missing classes without a proper reason or prior notice may not only come at the expense of your participation, but may also lead you to fail this course.

Classes and required readings

Class 1, March 15th: Different ways to think about issues in global business and management.

After introductions, we will discuss a short case to be outlined in class to explore different ways of thinking about the challenging issues that we are most likely to encounter in global business.

Readings:

- Thomas Donaldson and Patricia Werhane, "Introduction to Ethical Reasoning," in Thomas Donaldson and Patricia Werhane, eds. ***Ethical Issues in Business: A Philosophical Approach***, 8th edition (Upper Saddle River: Prentice Hall, 2008).

Class 2, March 17th: Capitalism's cornerstone foundations; Ownership and property rights.

Applying the different ways of thinking explored in the introductory session, we will discuss the Novartis case. We will find that private ownership, which is one of the cornerstone foundations of modern capitalism, is a powerful but hardly a simple idea. For students unfamiliar with the economic functions of ownership and property rights, the classic chapter on this topic from Milgrom and Roberts provides a readily accessible introduction.

Readings:

- Case: Novartis loses patent battle in India; Time to realign the business model to emerging markets? (SMU 13-0015).

- Heller, M. A., & Eisenberg, R. S. 1998. Can patents deter innovation? The anticommons in biomedical research. *Science*, 280(5364): 698-701.
- Milgrom, P.R., J. Roberts. 1992. *Economics, organization and management*. Prentice-Hall, Englewood Cliffs, N.J. ; London, chapter 9: Ownership and Property Rights (pages 288-319).

Class 3, March 22nd: The versatility of capitalism.

This session will explore the actual versatility of ownership in enterprise organizations, and investigate why, *in practice*, the ownership of firms is sensitive to social, ethical, political, and emotional considerations, next to financial returns. The reading by Hansmann is a bit theoretical, but provides a nice understanding of why the ownership of enterprise organizations is so versatile.

Readings:

- Case: The Goldman Sachs IPO (HBS case 9-800-016)
- Henry Hansmann, 2012 “Ownership and Organizational Form” in Gibbons and John Roberts, eds, *The Handbook of Organizational Economics*, Palgrave Mcmillan, 2012.

Class 4, March 24th: The corporate governance challenges of publicly listed firms.

Based on the highly visible Tyco case from the beginning of the millennium, this session will explore the main corporate governance challenges of publicly listed firms, and the remedies used to meet these challenges. We will focus specifically on the corporate governance role of the board of directors.

Readings:

- Case: Tyco International: Corporate Governance (HBS case 9-408-059).
- Guhan Subramanian, Corporate Governance 2.0. *Harvard Business Review*, March, 2015.

Class 5, March 29th: Owners and stakeholders.

Building on the insights gained during the previous session, we will explore which interests other than a firm’s owners—i.e. so-called stakeholders—executives will need to take into account in making or executing firm decisions.

Readings:

- Case: Goldman Sachs and its Reputation (Stanford Case P 77, 2011).
- Tracy Alloway, Goldman’s Trojan currency swap, *Financial Times*, February 9, 2010.
- Greg Smith, “Why I Am Leaving Goldman Sachs,” *The New York Times* (March 14, 2012).

Class 6, March 31st: Creating value for whom?

A critical question is whether firms should create value first and foremost for their customers or for their owners. We will discuss a case in which client or consumer interests are critically at stake, in order to develop an understanding of the different ways in which customer interests can be secured.

Readings:

- Case Study: “Dicing with Death? A case study of Guidant Corporation’s implantable defibrillator business,” by Martin E. Sandbu and Jeisun Wen, 2008.
- Porter, M. & Kramer (2011) Creating shared value, *Harvard Business Review*, Vol. 89 Issue 1/2, pp62-77.

Class 7, April 5th: Valuing and securing employee interests.

This session will focus on employees as an important primary stakeholder group of the firm, and the different ways to secure their interests.

Readings:

- Case: China's worker's unrest; Transforming from a 'World Factory' to a "world Market"? IBS Center for Management Research (411-026-1), 2011.
- Katie Benner, [When a Unicorn Start-Up Stumbles, Its Employees Get Hurt](#). *The New York Times*, December 23rd, 2015.
- Nien-he Hsieh, Responsibilities to employees (HBS Module note 9-315-067), December 2014.

Class 8, April 6th to April 8th: Presentations on team assignment

No class. Instead, team presentations will take place outside regular classroom hours. Each team will present separately at a time to be determined and communicated later.

Class 9, April 12th: Implementing fairness in family firm succession.

Family firms are globally the most prevalent organizational form facing highly distinctive management and governance challenges. In this session, we will discuss the practical question how to assure fairness in the succession process of a family owned and controlled firm.

Readings:

- Case: De Kuyper Royal Distillers: Three Centuries Of Succession; Ivey Publishing #9B11M067
- Lansberg, I (2007) The Tests of a Prince, *Harvard Business Review*, September 2007
- The Economist (2004), Passing on the Crown, *The Economist*, November 4, 2004

Class 10, April 14th: Non-market strategy

After introducing the notion of Non-market strategy, this session will explore the legal and political strategies that firms pursue to build their business and advance their interests, as well as the limits that confine their legal, political and ethical appropriateness. Specifically, we discuss how Uber successfully challenged the regulatory environment surrounding its services in American cities, but subsequently dramatically failed to unfold this strategy in Europe.

Readings:

- Case: Uber: 21st Century Technology Confronts 20th Century Regulation, Stanford Business, 2012, Case: P-81
- Murad Ahmed, Jeevan Vasagar and Tim Bradshaw, 'Uber: Backseat driver', *Financial Times*, September 15, 2015.
- David Bach and David Bruce Allen, [What every CEO needs to know about Non-market Strategy](#), *MIT Sloan Management Review*, April 1st, 2010.

Class 11, April 19th: The challenges of doing business abroad.

We will discuss the cultural, ethical, and political challenges that may arise when doing business abroad, as well as some ways to navigate these challenges.

Readings:

- Case: Google in China (A) (HBS 9-510-071) should step out of the cloud. *Financial Times*, March 3rd, 2016.
- Philip Stevens, [Silicon Valley should step out of the cloud](#). *Financial Times*, March 3rd, 2016.
- Thomas Donaldson, "Values in Tension: Ethics Away from Home," *Harvard Business Review*, September-October, 1996.

Session 12, April 21st: Corruption and bribery.

One of the biggest challenges in conducting international business involves dealing with corruption and bribery. Discussing the Ziqitza case, this session we will address the questions

what bribery is, the reasons why bribery is wrong and has a devastating impact on economic development, and how to deal with bribery in contexts where corruption is rampant.

Readings:

- Case: Ziqitza Health Care Limited: Responding to Corruption (INSEAD, 713-046-1).
- Dan Currell and Tracy Davis Bradley, Greased Palms, Giant Headaches. *Harvard Business Review*, September 2012.

Ground rules

1. You are expected to attend class and to actively contribute to class discussion.
2. Class starts and ends on time, so please make sure that you are on time.
3. Please display your name tent. If you forget yours, you can make an informal one.
4. Students who are unprepared should notify the professor before class begins, and flip their name tents down.
5. You may use laptops and mobile devices in class for class-related work only, but not during case discussions.
6. You may eat in class, but please do so unobtrusively ;-).
7. Let's try to make this course both work and fun for everyone!