

**UNIVERSITY OF PENNSYLVANIA
THE WHARTON SCHOOL
DEPARTMENT OF LEGAL STUDIES & BUSINESS ETHICS
LGST 612-006 SPRING 2016
RESPONSIBILITY IN BUSINESS**

Instructor: N. Craig Smith (bio at end)
Classroom: JMHH 240N
Office: 651 JMHH
Class times: Tues. 3:00 – 6:00 p.m.
Office Hours: Tues. & Wed. 10:00 – 12:00 p.m. & by appointment
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Course Overview

This required course is designed to inform and stimulate thinking on the ethical and social responsibility issues encountered in business and to help prepare you to recognize and manage these issues as they arise in your future career. Using case studies and contemporary examples, it explores the ethical challenges of a global business environment from the perspective of the manager and business leader. The course will introduce some basic tools and a framework that will enable you to better understand and analyze the ethical issues that you will face in your career, building on and strengthening your own “moral compass” and standards of integrity and professionalism. It will also examine the factors that give rise to ethical and unethical conduct in organizations and briefly explore drivers of corporate attention to social responsibility/sustainability, including stakeholder responses such as sustainable consumption.

This course in one version or another is required because business responsibility (broadly understood) is agreed by almost all serious participants and observers to be an essential component of a successful career.

Classes follow a three-hour, one-meeting-per-week format. Because the course consists of only six classes, attendance of the first class is required. However, an arrangement may be made for students joining the course at least by the second class (with responsibility on them for a make-up assignment). Missing subsequent classes—or coming to class late or leaving early—without adequate excuse or justification will be taken into account in the class participation component of the grade as described below.

Course Objectives

1. To increase your awareness of the ethical and social responsibility dimensions of business conduct;
2. To contribute insight into the professional standards and responsibilities that will be required in your future career;
3. To provide an analytical framework helpful in identifying and resolving ethical and social responsibility issues in business;
4. To practice decision making about ethical and social responsibility issues;
5. To explore drivers of business attention to social responsibility/sustainability;
6. To reflect on—and critically examine—the values and assumptions brought to business decisions by yourself and others, including those participants from different cultures to your own.

Achieving the Course Objectives

The course objectives are realized through multiple components especially appropriate to application-oriented learning: case studies, lectures, class discussions, and readings. This is a

primarily case-based course, so you are expected to derive much of your learning about business ethics and corporate responsibility from case analysis and discussion.

Each session involves case study discussion, with the case describing a difficult business situation and often placing you in the role of decision-maker. Learning in this course is highly dependent upon your **preparation** of the case and active **involvement** in its discussion. In a typical case discussion, one or more students will be asked to "open" the class by answering a specific question, usually related to a decision central to the case and its supporting rationale. Then the discussion will be open to the rest of the class, aiming to build an analysis of the situation and address the focal problems and issues in the case. The instructor acts as a moderator of the class discussion, drawing the session to a conclusion with a summary of points that have emerged and other "takeaways". This approach develops a process of thinking that enhances decision-making capabilities and communication skills.

The exchange and debate of ideas among students is a crucial part of the learning process. Students are expected to participate proactively in class discussions and to be prepared for "cold calls". More specifically, each individual should aim to contribute to the class by voicing experiential or analytical insights and by constructively challenging debatable facts, interpretations and conclusions presented by others.

Course Evaluation

This course is evaluated on the basis of your class participation (30% weighting), three short case analyses (30% weighting), and a final exam (40% weighting).

The quality, quantity and consistency of your **contributions to class discussions** will form the primary basis of your class participation grade. You can expect to be called upon, at random, to open a case or to contribute during the subsequent discussion. Given the nature of the course, you should expect to attend every class and absence will be sufficient for adjusting the class participation grade.

Your one-page **case analysis memo is due in hard copy at the start of the class in which the case is discussed** (beginning session 2). You choose which three of five cases to write up. Your memo should address the case preparation question(s) asterisked below and be no more than 750 words and on one page only (no cover page).

The **final exam** will involve analysis of a case study (not seen already during the course). It will be open-book and administered during the two-hour period designated for the Final Exam (provisionally scheduled for May 3rd at noon). The case study will be made available at the time of the exam. You won't be graded on the specific policy or outcome you defend but on the quality of your analysis and your understanding and application of relevant course materials.

Informal lunches or dinners: Optional lunches or dinners will be held on request to further discuss course topics and their implications for future careers as well as to get feedback from students about the course. No formal credit for class participation will be given for participation in informal lunches or dinners.

Concert Rules

Class will be conducted according to Wharton "concert rules":

- Class starts and ends on time. Students and faculty are expected to be timely.
- Students are to sit according to a seating chart and should display name plates.
- Students should remain in attendance for the duration of class, except in an emergency.
- All phones should be turned off; electronic devices may be used only to access the readings for the day.

COURSE OUTLINE

ETHICS & THE INDIVIDUAL: RESPONSIBLE DECISION-MAKING

March 15th

Session 1: Business Ethics: Challenges & Opportunities

- What is business ethics?
- Why give it our attention?
- Ethical relativism: Can we use different standards to judge what is right for similar issues in different contexts?

Case: "A Costly Train Journey"

Case Preparation Questions:

- Do you have any sympathy for the case protagonist required to pay the fine? In what way?
- Is this a case about business ethics? If so, why?

Merck Riverblindness (in-class video case)

Required Reading/Preparation:

- "A Costly Train Journey (A)" case (INSEAD case #03/2015-6119)
- Lynn Sharp Paine, "Ethics: A Basic Framework" (HBS note #9-307-059)
- Thomas Donaldson, "Values in Tension: Ethics Away from Home," *Harvard Business Review*, September-October, 1996.

Recommended Reading/Viewing:

- Tom L. Beauchamp and Norman E. Bowie, "Ethical Theory and Business Practice: Fundamental Concepts and Problems," *Ethical Theory and Business* (Upper Saddle River, NJ: Prentice Hall 2008), pp. 1-17.
- Greg Miller, "The Roots of Morality," *Science* 320 (9 May) 2008, pp. 734-737.
- Craig Smith, "Should Business Schools Peddle Shareholder Value Maximization?" At: <http://knowledge.insead.edu/responsibility/should-business-schools-peddle-shareholder-value-maximisation-3725>

March 22nd

Session 2: Frameworks for Ethical Decision Making

- What informs our ethical judgments?
- What is the right thing to do? The EDM: An Ethical Decision-Making Framework
- Deception in business contexts

Case: "Conflict on a Trading Floor (A)" (HBS case #9-394-060)

Case Preparation Questions:

- What is at stake for the case protagonist?
- What is at stake for the other affected parties?
- How might Carr view this situation?
- What options are available?*
- Which would you choose?*

Required Reading/Preparation:

- “Conflict on a Trading Floor (A)” case (HBS case #9-394-060)
- Albert Z. Carr, “Is Business Bluffing Ethical?” *Harvard Business Review*, January 1968 (please make allowances for the language used in parts of this classic article)
- Linda K. Trevino and Katherine A. Nelson, *Managing Business Ethics: Straight Talk About How To Do It Right* (John Wiley, 2014), Chapter 2, pp. 38-69.

Recommended Reading/Viewing:

- For a perspective on deception in a broader (non-business) context, see the writings of Sissela Bok, especially her seminal work, *Lying* (New York: Pantheon Books, 1978). An overview by Robert K. Fullinwider is available at: http://www.infed.org/thinkers/bok_lying.htm
- Craig Smith, “The Moral Responsibility of Firms: For or Against?” At: <http://knowledge.insead.edu/responsibility/the-moral-responsibility-of-firms-for-or-against-3243>

March 29th

Session 3: Challenges of Bribery & Corruption

- What is bribery?
- Why is it so prevalent in certain contexts?
- How to respond in bribery/bribe-like situations?

Case: “Ziqitza Healthcare Ltd.”

Case Preparation Questions:

- What corruption challenges has ZHL faced so far? How has ZHL responded?
- What are the underlying causes and implications?
- What are the arguments for and against the position taken by ZHL to date in regard to bribery and corruption?
- How do you think Sweta Mangal will handle the issue brought to her by Sanjay Rafati?
- How would you handle this issue?* How does the EDM framework inform your analysis?*

Required Reading/Preparation:

- “Ziqitza Health Care Limited” case (INSEAD case #02/2014-5897)
- Lynn Sharp Paine and Christopher M. Bruner, “Bribery in Business: A Legal Perspective” (HBS note #9-306-012).

Recommended Reading/Viewing:

- Beauchamp and Bowie, “Ethical Theory and Business Practice: Normative Ethical Theory,” *Ethical Theory and Business* (Prentice Hall 2008), pp. 17-38.
- Check out Transparency International, including its Corruption Perceptions Index and its Bribe Payers Index, at: <http://www.transparency.org/>
- Craig Smith, “Corruption: Can You Ignore It?” At: <http://knowledge.insead.edu/responsibility/corruption-can-you-ignore-it-3736>

ETHICS & THE ORGANISATION

April 5th

Session 4: Challenges of Misconduct: Bad Apples or Bad Barrels?

- What are the factors that give rise to (un)ethical conduct in organizations?
- What can be done to increase the likelihood of good conduct/reduce the likelihood of bad conduct?

Case: “From Grace to Disgrace: The Rise & Fall of Arthur Andersen”

Case Preparation Questions:

1. Was there unethical conduct by Andersen/any of its employees (including partners)?*
2. If so, what specifically did Andersen/its employees do wrong?* What principles inform your analysis?*
3. How did this happen?
4. What could Andersen have done differently?
5. How would you have responded as an Andersen employee (or partner) in this situation?

The VW Emissions Scandal (in-class case)

Required Reading/Preparation:

- Andersen case (ECCH case # JBEE1-1CS1)
- Max Bazerman, George Loewenstein, and Don A. Moore, “Why Good Accountants Do Bad Audits,” *Harvard Business Review*, November 2002.

Recommended Reading/Viewing:

- Vikas Anand, Blake E. Ashforth, and Mahendra Joshi, “Business as Usual: The Acceptance and Perpetuation of Corruption in Organizations,” *Academy of Management Executive*, Vol. 18, No. 2, 2004.
- Jennifer J. Kish-Gephart, David A. Harrison, and Linda Klebe Trevino, “Bad Apples, Bad Cases, and Bad Barrels: Meta-Analytic Evidence About Sources of Unethical Decisions at Work,” *Journal of Applied Psychology* Vol. 95, No. 1, 1–31, 2010.
- See short YouTube video, “A Nightmare on Wall Street 2: Enron's Revenge,” at: <http://www.youtube.com/watch?v=wx3KMX6T8bo>.
- Craig Smith, “Could Your Leadership Style Be Influencing Bad Behaviour?” At: <http://knowledge.insead.edu/leadership-organisations/could-your-leadership-style-be-influencing-bad-behaviour-3638>

ETHICS, ORGANISATIONS & SOCIETY

April 12th

Session 5: Opportunities and Challenges of the Sharing Economy

- What is the business case for corporate social responsibility and sustainability?
- Can the sharing economy provide a solution to sustainability challenges?
- Whether it can or not, to what extent does the sharing economy raise other social responsibility concerns?

Case: “Uber and the Ethics of Sharing”

Case Preparation Questions:

1. How should the “sharing economy” be defined? How does it contribute potentially to sustainability? Is Uber an example of the sharing economy?* Is Uber socially responsible?*
2. What do you think about how Uber has acted toward regulators thus far? Should Uber change its stance towards regulators as its model becomes more universally accepted?

3. What are the implications of business model's like Uber's on the future of employment? Do "sharing economy" companies have a responsibility for protecting their workers (or contractors)?
4. Do new technology-based companies fit under the existing regulatory framework governing businesses or are new rules required?
5. If new rules are needed, what might they be?

Required Reading/Preparation:

- Uber case (INSEAD pre-release case)
- N. Craig Smith, "Corporate Social Responsibility: Whether or How?" *California Management Review*, Summer 2003, pp. 52-76.
- Michael E. Porter and Mark R. Kramer, "Creating Shared Value," *Harvard Business Review*, January 2011, pp. 62-77.

Recommended Reading/Viewing:

- Paul Polman and Adi Ignatius, "Captain Planet," *Harvard Business Review*, June 2012.
- Unilever Sustainable Living Plan at: <http://www.unilever.com/sustainable-living-2014/index.aspx>
- UNEP 2012 report on 21 issues for 21st century at: http://www.unep.org/publications/ebooks/foresightreport/Portals/24175/pdfs/Foresight_Report-21_Issues_for_the_21st_Century.pdf
- Craig Smith, "Sharing Big Pharma's Value." At: <http://knowledge.insead.edu/economics-finance/sharing-big-pharmas-value-2863>

April 19th

Session 6: Opportunities in Good Conduct

- Is there a market for virtue?
- How can stakeholder engagement inform corporate social responsibility?
- Sustainable consumption: Will consumers sacrifice for corporate responsibility?

Case: "Patagonia"

Case Preparation Questions:

- Evaluate Patagonia's business model. How important to Patagonia's business model is its environmental position?
- What is your assessment of the Product Lifecycle Initiative (Reduce, Repair, Reuse, and Recycle)?*
- How fast can Patagonia grow? How fast should it grow?
- How would Patagonia's business model differ if the company were publicly held?

Required Reading/Preparation:

- "Patagonia" HBS case #9-711-020.
- Yvon Chouinard, Jib Ellison, and Rick Ridgeway, "The Sustainable Economy," *Harvard Business Review*, October 2011.
- World Business Council for Sustainable Development (WBCSD), Action 2020 agenda, "Sustainable Lifestyles": <http://action2020.org/priority-areas/sustainable-lifestyles>

Recommended Reading/Viewing:

- Remi Trudel and June Cotte, "Does it Pay to be Good?" *MIT Sloan Management Review* 50 (Winter) 2009, pp. 61-68.
- "The Story of Stuff" short film at: <http://www.youtube.com/watch?v=gLBE5QAYXp8>
- "The Next Industrial Revolution" video (featuring Michael Braungart and Bill McDonough) at: <http://filmefuerdieerde.org/cradletocradle>

- Craig Smith, “Three Things Every Manager Should Know About Consumer Boycotts.”
At: <http://knowledge.insead.edu/responsibility/three-things-every-manager-should-know-about-consumer-boycotts-3767>

Course Instructor

N. Craig Smith



N. Craig Smith is the INSEAD Chaired Professor of Ethics and Social Responsibility. He is also the Academic Director of the CSR & Ethics Research Group in the INSEAD Social Innovation Centre. He was previously on the faculties of London Business School, Georgetown University, and Harvard Business School. His research is at the intersection of business and society, encompassing business ethics, corporate social responsibility, and sustainability. As well as a broad interest in organizational or managerial good and bad conduct, at the core of much of his research is a focus on developing understanding of corporate accountability. His current research projects examine marketing ethics, the purpose of the firm, social contract theory, stakeholder theory, strategic drivers of CSR/sustainability, and sustainable consumption. He is the author, coauthor or coeditor of six books and over thirty academic articles in journals such as *Business*

Ethics Quarterly, *Business & Professional Ethics Journal*, *California Management Review*, *Harvard Business Review*, *Journal of Business Ethics*, *Journal of Consumer Psychology*, *Journal of Marketing*, *Journal of Public Policy & Marketing*, and *MIT Sloan Management Review*, as well as various book chapters and other publications. Smith has developed over forty case studies on business ethics and CSR/sustainability, including a number of award-winners and best-sellers. His most recent books are: *Mainstreaming Corporate Responsibility* (with Lenssen; published by Wiley 2009), *Global Challenges in Responsible Business* (with Bhattacharya, Vogel and Levine; published by Cambridge University Press, 2010), and *Marketing Ethics* (with Murphy; Sage 2012). He has two new books forthcoming: *The Moral Responsibility of Firms Revisited* (with Eric Orts; to be published by Oxford University Press) and *Managing the Sustainable Enterprise* (with Gilbert Lenssen; to be published by Springer). At INSEAD, he teaches MBA and executive courses in business ethics, compliance, and strategic corporate social responsibility and sustainability. He is also the Programme Director for the Healthcare Compliance Implementation Leadership Programme. As well as a regular speaker at international conferences, he conducts workshops with various organizations on business ethics and corporate responsibility/sustainability, including board level workshops on sustainability as part of the UN Global Compact Board Programme. He also serves on the Scientific Committee of Vigeo, the corporate social responsibility rating agency.