



GRADUATE SCHOOL OF BUSINESS STANFORD UNIVERSITY

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POLECON 235: BUSINESS ETHICS

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An important component of a company's interactions with its environment is how its managers deal with ethical issues. Recent accounting scandals have demonstrated that managerial decision-making almost always has ethical implications. More often than not, however, those ethical implications are viewed as implicit byproducts, rather than explicit determinants, of business decisions. In POLECON 235 ethics is made explicit taking the perspective of managers who must formulate policies to address issues with ethical dimensions.

The three principal objectives of POLECON 235 are (1) to expose you to a diverse and important set of ethical systems, (2) to increase the precision with which you think about, discuss, and practice ethics, and (3) to provide opportunities to apply ethical systems to specific business problems. The course does not attempt to consider an exhaustive set of ethical systems nor to develop fully the philosophical structure of the systems considered. Instead, it focuses on systems that provide foundations for basic ethical intuitions pertaining to well-being, rights, and justice. The course does not attempt to determine whether one system is better than another but instead encourages you to reason about issues from multiple perspectives, with a view to practical solutions to real business dilemmas.

Course materials:

The course materials include supplemental materials to be distributed in class and the book *Business and Its Environment (BIE)*, Fifth Edition, Prentice-Hall, 2005, by David P. Baron. This book will also be used in the spring quarter core course POLECON 230: Strategy and the Business Environment.

Class format:

Each session will have at least two components: a discussion of general conceptual material and a specific case in which the material is to be applied. At the end of each case, there is a set of preparation questions intended to focus your analysis and reasoning about the case in preparation for class. You are urged to meet with your study groups to prepare the case and answer these questions prior to each class session. In Sessions 1 and 5, study-group presentations play an important role.

Office Hours:

My office hours are Wednesdays 2-4 PM in Littlefield 214 on a walk-in basis. Otherwise, you may set up an appointment with my assistant Chris Lion in L330 (723 9040) or by email: wacziarg@gsb.stanford.edu. This syllabus is also posted on my web page: <http://www.stanford.edu/~wacziarg/p235.html>. This course will have a webpage on CourseWork.

READINGS ON RESERVE IN JACKSON LIBRARY

- Boatright, John H. 2000. *Ethics and the Conduct of Business*, 3rd ed. Upper Saddle River, NJ: Prentice Hall.
- Nozick, Robert. 1974. *Anarchy, State, and Utopia*, Basic Books, New York, NY.
- Rawls, John. 1971. *A Theory of Justice*, Harvard University Press, Cambridge, MA.
- Sen, Amartya and Bernard Williams. 1982. *Utilitarianism and Beyond*, Cambridge University Press: Cambridge, United Kingdom.
- Velasquez, Manuel G. 1998. *Business Ethics: Concepts and Cases*, 4th ed., Prentice Hall, Englewood Cliffs, NJ.
- White, Thomas I. 1993. *Business Ethics A Philosophical Reader*, Macmillan, New York.

POLECON 235—OUTLINE OF SESSIONS

SESSION 1: TUESDAY, SEPT. 13: CORPORATE SOCIAL RESPONSIBILITY

What is the social responsibility of a corporation? This session considers moral as well as public concerns about the business practices of a company, and following sessions develop analytical approaches to reasoning about moral concerns from the perspective of three important ethical systems. The specific objectives of this session are to identify issues that raise moral concerns and assess the extent of corporate responsibility with regard to those concerns, contrasting the viewpoints of Milton Friedman and the Business Roundtable.

- Case:** The Collapse of Enron, BIE textbook pp. 682-689.
- Readings:** Articles from *The Economist*: “The Good Company”; “The Union of Concerned Executives”; “The Ethics of Business”; “The Biggest Contract” (in course reader)
Milton Friedman: “The Social Responsibility of Business is to Increase Its Profits” (in course packet)
BIE textbook, pp. 663-668.

Assignment: Each study group is to prepare a short presentation addressing the following questions: "In what ways was Enron's behavior as described in the case inconsistent with the social responsibility of business? How far should Enron have gone to remain a responsible corporation?". Two randomly chosen groups will each have 10 minutes to present. A general debate on the extent of the social responsibility of business, taking the Enron case as a starting point, will follow. You may bring up to 3 slides as transparencies or *on a USB storage device*.

SESSION 2: THURSDAY, SEPT. 15: UTILITARIANISM AND MANAGERIAL DECISION-MAKING

The previous session considered moral concerns, and this session introduces one set of principles for reasoning about such concerns. Specifically, this session introduces a consequentialist framework – utilitarianism – for reasoning about ethical issues. In addition to applying utilitarian concepts to the case, you are to identify limitations of utilitarian analysis as well as omitted moral considerations, if any, that should be taken into account. You are also to demonstrate how to reason when moral transgressions are possible or likely. For example, suppose you believe a competitor is likely to offer a bribe. What should you do, from the perspectives of both act and rule utilitarianism?

Case: Complications in Marnera, BIE textbook, pp. 835-836.

Readings: BIE textbook pp. 702-718, 824-833.

SESSION 3: FRIDAY, SEPT. 16: RIGHTS AND DUTIES

This session introduces deontological ethical systems based on rights and duties considerations. These ethical considerations differ from those in consequentialist systems, but the objective of this session is not to attempt to reconcile the differences. Instead, the objective is to encourage you to analyze a situation involving ethical concerns from the perspective of moral rights, in addition to a consequentialist perspective. This provides perhaps a sounder basis for analysis and decision-making than reliance on a single system. You are to identify the rights involved in the case and formulate a policy governing the sale and use of portable ultrasound equipment for a company with operations in India and China, where ultrasound equipment is sometimes used for the purpose of gender selection.

Cases: Genetic Testing in the Workplace, BIE textbook pp. 766-767.

Reporting of Clinical Trial Results, BIE textbook pp. 804-806.

Readings: BIE textbook pp. 731-745.

SESSION 4: MONDAY, SEPT. 19: DISTRIBUTIVE JUSTICE

This session introduces a framework for reasoning about issues that involve justice concerns and addresses a case in which a company is faced with an important justice issue. The case concerns the emerging issue of environmental justice and the conflict between that concept and a pollution credits trading system designed to generate economic efficiency (a utilitarian standard) by achieving environmental goals at the lowest possible cost. The case raises the issues in the context of an oil company that faces a moral and a legal challenge to its participation in an important government program.

Case: Environmental Justice and Pollution Credits Trading Systems, BIE textbook pp. 767-771.

Reading: BIE textbook pp. 750-764.

SESSION 5: TUESDAY, SEPT. 20: APPLIED CORPORATE SOCIAL RESPONSIBILITY

The concrete implementation of corporate social responsibility derives from the application of ethical principles to managerial issues. Managers must adopt and implement policies that, in the best instances, are embodiments of moral principles. In this session you are to apply the moral principles discussed in the previous class sessions to a specific case. Nike is known worldwide for its distinctive “Swoosh” symbol and its extensive advertising and promotional activities. Nike has also earned a reputation as an aggressive and combative company. The moral concerns in the case are advanced by activist and interest groups, and Nike must address their actions and concerns.

Case: Nike in Southeast Asia, BIE textbook pp. 119-122

Readings: BIE textbook pp. 817-823

Group assignment: Each group is to prepare three slides summarizing (1) your analysis of the ethical issues in this case, using moral principles (2) what actions or strategy the company should adopt in this specific case. The justification for your proposed course of action is to be based on ethical principles. Two or three groups will be selected to make presentations in class. Other groups will discuss these presentations. You may bring transparencies or PowerPoint slides *on a USB storage device*.

Each group is to turn in a paper copy of its slides along with a 1000 words executive summary of the presentation. This written assignment, as well as classroom participation will serve as a basis for credit towards the business ethics requirement of the MBA program.