

BUSINESS ETHICS

Introduction

Ethical behavior contributes to personal flourishing and to human excellence in business. In addition, business ethics enhances corporate reputation and minimizes the risk of the souring of relations between society and the company. Society, which gives business license to operate, increasingly demands ethical and responsible conduct from firms. Employees expect fair treatment and consumers demand respect for their rights. Similarly, stakeholders are pushing for transparency, accountability, and responsibility. Individuals, social groups and governments are calling for ethical behaviors and responsible conduct from business organizations.

To a great extent, leading companies around the world have already accepted this challenge, and ethics has become a feature in managing business. In practice, however, ethical dilemmas and practical difficulties can arise in decision-making as companies try to harmonize profits with social and ethical responsibilities, and these require solid bases and careful discussion.

Objectives

This course discusses the role of ethics in business and the foundations of business ethics. Additionally, it inquires over how to integrate ethics into business practice and in management theory and the role of virtues in leading organizations.

The goal of this course is to provide a strong base for sound moral judgments in managerial decision-making and in evaluating one's own values, arguing ethically in business environments and contributing to collective decisions; it helps us to understand and evaluate opinions of those from different cultural traditions or ideological backgrounds and to distinguish between what is right and what is only 'politically correct'.

Learning Outcomes

- Analyze the relationship between economic activity and ethics.
- Understand the concept of sustainability and its implications and become familiar with the main approaches to business ethics and corporate social responsibility.
- Specify the ethical and social consequences of an alternative and understand why ethics is an essential dimension of decision-making
- Learn how to make ethical judgments and integrate them in the decision-making process.
- Analyze commonly-occurring ethical issues and dilemmas in managing businesses.

- Reflect on the role of virtues in leading organizations.
- Relate ethics with performance of organizations.
- Analyze arguments on the social responsibility of business.
- Determine how to improve responsibility of business on respecting human rights and the natural environment and in promoting human development and contributing to a better society.
- Communicate in terms of responsibility and accountability

Competences

General competencies:

CG1: Acquire knowledge, skills, abilities and attitudes required to conduct research on a global basis in the field of business management.

CG2: Identify and solve business problems, often with uncertain and incomplete information, and involving direction and management of people in organizational frameworks.

CG3: Conduct a critical analysis, evaluation and synthesis of new and complex ideas with the objective of producing general principles applicable to business situations.

CG4: Profound understanding and appreciation of the importance of the human factor and ethics within an organizational framework.

CG7: Know the main concepts and policies in the area of corporate social responsibility and sustainability.

Basic competencies:

CB6: Demonstrate knowledge and understanding that provide a basis or opportunity for originality in developing and / or application of ideas, often related to a research context.

CB7: Students must be capable of applying their knowledge and ability to solving problems in new or unfamiliar environments within broader (or multidisciplinary) contexts related to business ethics and corporate social responsibility.

CB8: Students should be able to integrate business ethics knowledge and handle complexity, and formulate judgments based on information that was incomplete or limited, including reflection on social and ethical responsibilities linked to the application of their knowledge and judgments.

CB9: Students should be able to communicate clearly and concisely their conclusions, underlying knowledge and reasons to a specialized and non-specialized audience.

CB 10: Students should possess the learning outcomes that enable them to continue studying in a way that will be largely self-directed or autonomous.

Specific competencies:

CE1: Understand the concepts of business ethics and integrate them to management theory and practice.

CE3: Organization, planning and implementation of a research project related to business ethics and corporate social responsibility.

CE5: Ability to understand state-of-the-art research in business ethics published in the top academic journals in the field (Business Ethics Quarterly, Journal of Business Ethics) and compare and contrast the arguments developed in the papers from a logical and empirical point of view.

CE6: Ability to take current management and organizational ethical problems and identify how different theories of organizations can help us understand them.

CE8: Analyze business phenomena formal analysis tools (logic) in order to develop consistent structural theories.

CE9: Knowledge of and ability to use the tools of business ethics theory in the analysis of organizations.

Content

The course is divided into five parts: (1) Foundations of Business Ethics (2) Ethics in Decision-Making, (3) The Corporation and its Purpose In Society, (4) Organizational Ethics, and (5) Societal and Ecological Business Ethics.

Methodology

Discussion of research papers and case studies on crucial issues related to business ethics and corporate social responsibility. Two books authored by Prof. Melé are suggested as basic textbooks (see bibliography) for this course plus specific readings which will be provided.

Evaluation

Evaluation will be based on the quality of the student participation in class discussions (30%), an original paper (20%) and a final exam (50%)

Paper

An essay relating ethics with one's own field of specialization.

Deadline to deliver the paper: January 15, 2018.

Please, email the paper to mele@iese.edu

Students will receive personal feedback on the paper.

Course Outline

PART 1. FOUNDATIONS OF BUSINESS ETHICS		
1 Oct 9	Antecedents of Business Ethics and Corporate Social Responsibility	Richard T. De George, "The History of Business Ethics," in <i>The Accountable Corporation</i> . Vol 2 Business Ethics, ed. Marc J. Epstein and Kirk O. Hanson (Westpoint: Praeger), pp. 47-58. Melé, D.: 2009, <i>Business Ethics in Action</i> . Seeking Human Excellence in Organizations (Hereafter: <i>Business Ethics in Action</i>) (Palgrave-MacMillan, London), Chap. 1: 'The role of ethics in business'.
2 Oct 9	Why Good Management Requires Ethics	Case study: "The rise and fall of Arthur Andersen" Questions: <ol style="list-style-type: none"> 1. Analysis how Arthur Andersen evolved over time. 2. Compare Mr. Andersen values of Arthur Andersen and the values of the company in late 1990s? 3. What was the role of ethics (or lack of ethics) in the rise and demise of Arthur Andersen? Mintzberg, H., Simons, R. & Basu, K. (2002). <i>Beyond Selfishness</i> . <i>MIT Sloan Management Review</i> , 44(1), 67-74. Melé, D.: 2012, <i>Management Ethics: Placing Ethics at the Core of Good Management</i> (Hereafter: <i>Management Ethics</i>) (Palgrave MacMillan, New York), Chap. 1: 'Why good management requires ethics'.
3 Oct 16	Ethics and Cultural Diversity	Case study: Manville in Japan: The Warning Labels Controversy (IESE BE-161-E) Assignment questions: <ol style="list-style-type: none"> 1. What are the most important facts of the situation of the company in Japan? 2. What are the responsibilities of Manville executives regarding the sale of fiberglass? Do they perform them properly? 3. Should Manville strictly follow legality or do something else? Why? 4. What would you recommend to Manville's top executives? <i>Business Ethics in Action</i> , Chap. 3
4 Oct 16	How to Integrate Ethics into Business	Abela, A. & Shea, R. 2015. 'Avoiding the Separation Thesis While Maintaining a Positive/Normative Distinction.' <i>Journal of Business Ethics</i> , 131(1), 31-41. <i>Business Ethics in Action</i> . Chap 3 (Appendix) and Chapter 4 (Appendix).
5 Oct 26	Principles, Goods and Virtues in Business	<i>Business Ethics in Action</i> . Chap 4. <i>Management Ethics</i> . Chap. 2

		Sandelands, L. 2009. 'The Business of Business is the Human Person: Lessons from the Catholic Social Tradition.' <i>Journal of Business Ethics</i> , 85(1), 93-101.
PART 3. ETHICS IN DECISION-MAKING		
6 Oct 26	Responsibility and Accountability	Passini, S. 2011. 'Individual responsibilities and moral inclusion in an age of rights.' <i>Culture & Psychology</i> , 17:3, 281-96. <i>Business Ethics in Action</i> , pp. 101-111; 302-303; 312-313
7 Nov 2	Empirical and Normative Ethics in Decision-Making	Lehnert, K., Park, Y.-h. & Singh, N. 2015. 'Research Note and Review of the Empirical Ethical Decision-Making Literature: Boundary Conditions and Extensions.' <i>Journal of Business Ethics</i> , 129, 195-219. <i>Management Ethics</i> , Chap. 3. McMahon, T. F. (1999). 'From Social Irresponsibility to Social Responsiveness: The Chrysler/Kenosha Plant Closing'. <i>Journal of Business Ethics</i> , 20(2), 101-111.
8 Nov 2	Integrity & Corruption in Business	<i>Business Ethics in Action</i> , Chap 6. Argandoña, A.: 2007, 'The United Nations Convention against Corruption and its Impact on International Companies', <i>Journal of Business Ethics</i> 74(4), 481-496.
PART 4. THE CORPORATION AND ITS PURPOSE IN SOCIETY		
9 Nov 9	The Corporation within Capitalism	Case study: "The fall of Enron" Watkins, S. (2003). Former Enron vice president Sherron Watkins on the Enron collapse. <i>Academy of Management Executive</i> , 17(4), 119-125. Questions: 1. Analysis how Enron evolved over time. 2. What do you find ethically questionable in Enron? 3. Who bear responsibility in the fact described in the case? <i>Business Ethics in Action</i> , Chap. 2
10 Nov 9	Business as a community and as an Intermediate Institution	Melé, D.: 2012, 'The Firm as a "Community of Persons" A Pillar of Humanistic Business Ethos', <i>Journal of Business Ethics</i> 106(1), 89-101. Fort, T. L., 1996, 'Business as Mediating Institution', <i>Business Ethics Quarterly</i> , 6, 149-163. <i>Business Ethics in Action</i> , Chap. 3
11 Nov 16	Orientation toward Shareholders or Stakeholders?	Friedman, M.: 1970, 'The Social Responsibility of Business is to Increase its Profits', <i>New York Times Magazine</i> (September 13). Freeman, R.E.: 2004, 'A Stakeholder Theory of the Modern Corporation', in T. L. Beauchamp and N.E. Bowie (eds.), <i>Ethical Theory and Business</i> 7th ed. (Pearson-Prentice Hall, Upper

		Saddle River, NJ), pp. 55-64. Freeman, R. E. (2008). Ending of the So-Called 'Freidman-Freeman' Debate. In B. R. Agle et al. (Eds.), <i>Dialogue: Toward Superior Stakeholder Theory. Business Ethics Quarterly</i> , 8(2), pp. 162-166.
12 Nov 16	The Purpose of the Business	Peter Koslowski: 2006, 'The Common Good of the Firm as the Fiduciary Duty of the Manager', in G. J. Rossuw and Alejo José Sison (Ed.) <i>Global Perspectives on the Ethics of Corporate Governance</i> , Palgrave-MacMillan, New York, pp. 67-76. Bower, J. L. & Pain, L. S. 2017. 'The Error at the Heart of Corporate Leadership.' <i>Harvard Business Review</i> , 95(3), 50-60. Hollensbe, E., Wookey, C., Hickey, L., George, G. & Nichols, C. V., 2014, 'Organizations with purpose'. <i>Academy of Management Journal</i> , 57(5), 1227-1234.
13 Nov 23	The Common Good- Mission-Driven Business	van de Ven, A. H. (2001). Medtronic's Chairman William George on how mission-driven companies create long-term shareholder value. <i>Academy of Management Executive</i> , 15(4), 39-47. <i>Business Ethics in Action</i> , Chap 7.
14 Nov 23	Virtuous Leadership	Hackett, R. D. & Wang, G. (2012). 'Virtues and leadership. An integrating conceptual framework founded in Aristotelian and Confucian perspectives on virtues'. <i>Management Decision</i> , 50(5), 868-899. <i>Business Ethics in Action</i> , 10. <i>Management Ethics</i> , Chap. 6.
PART 4. ORGANIZATIONAL ETHICS		
15 Nov 28	Ethics in Strategy	Behnam, M. & Rasche, A., 2009, 'Are Strategists from Mars and Ethicists from Venus? – Strategizing as Ethical Reflection'. <i>Journal of Business Ethics</i> , 84(1), 79-88. Nonaka, I. & Toyama, R. (2007). Strategic management as distributed practical wisdom (phronesis). <i>Industrial & Corporate Change</i> , 16(3), 371-394.
16 Nov 28	Ethics in the Organizational Structure	Wetlaufer, S. 1999. 'Organizing by Empowerment: An Interview with Roger Sant and Dennis Bakker.' <i>Harvard Business Review</i> : February, 110-23. <i>Business Ethics in Action</i> , Chap 11-12.
17 Nov 30	Developing Organizational Ethical Cultures	Drucker, P. F. (2002). They're Not Employees, They're People. <i>Harvard Business Review</i> , 80(2), 70-77. Melé, D. (2014). "Human Quality Treatment": Five Organizational Levels. <i>Journal of Business Ethics</i> , 120(4), 457-471. <i>Management Ethics</i> , Chap 4. Melé, D., 2003, <i>Organizational Humanizing Cultures: Do They</i>

		Generate Social Capital? <i>Journal of Business Ethics</i> , 45(1/2), 3-14. <i>Business Ethics in Action</i> , Chap 10.
PART 5. SOCIETAL AND ECOLOGICAL BUSINESS ETHICS		
18 Nov 30	Corporate Social Responsibility and Corporate Citizenship Behavior	Garriga, E. and D. Melé: 2004, 'Corporate Social Responsibility Theories: Mapping the Territory', <i>Journal of Business Ethics</i> 53 (1-2), 51-71. <i>Business Ethics in Action</i> , Chap 13 and 14.
19 Dec 14	Environmental Business Ethics and Sustainable Business	Gibson, K.: 2012, 'Stakeholders and Sustainability: An Evolving Theory', <i>Journal of Business Ethics</i> 10, 15-25. <i>Business Ethics in Action</i> , Chap. 15 <i>Management Ethics</i> , Chap 5.
20 Dec 14	The Challenge of Humanistic Management	Melé, D. 2003. 'The Challenge of Humanistic Management.' <i>Journal of Business Ethics</i> , 44(44), 77-88. Moore, G. 2005. 'Humanizing Business: A Modern Virtue Ethics Approach.' <i>Business Ethics Quarterly</i> , 15(2), 237-55.

Bibliography

Textbooks

- Melé, D. *Business Ethics in Action. Seeking Human Excellence in Organizations*, Palgrave-MacMillan, New York, 2009.
- Melé, D. *Management Ethics: Placing Ethics at the Core of Good Management*, Palgrave MacMillan, New York, 2012.

General bibliography

- Bowie, N. E.: 1999, 'A Kantian Approach to Business Ethics ', in R. E. Frederick (eds.) *A Companion to Business Ethics* (Blackwell, Oxford), 3-16.
- Brenkert, G. and T. L. Beauchamp (eds.): 2010, *The Oxford Handbook of Business Ethics* (Oxford University Press, New York).
- Crane, A. and D. Matten: 2010, *Business Ethics* 3rd ed. (Oxford University Press, Oxford).
- Crane, A., A. Williams, D. Matten, J. Moon and D. S. Siegel: 2008, 'The Oxford Handbook of Corporate Social Responsibility', in (eds.) (Oxford University Press, Oxford-New York),