

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) The Corporation and its Purpose In Society, (3) Individual within the Organization (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 participation in class discussions (60%) and a paper (40%)

Paper

A research paper (about 5000–7000 words) or an original case study with deep comments.

Deadline to present an outline of the paper: February 22, 2017

Deadline to deliver the paper: April 25, 2017.

Please, email to mele@iese.edu

Students will received personal feedback on the paper.

Course Outline

PART 1. FOUNDATIONS OF BUSINESS ETHICS		
1	The Ethical Dimension of Business	<p>Case study: "The rise and fall of Arthur Andersen"</p> <p>Questions:</p> <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? <p>Case study: "The fall of Enron"</p> <p>Questions:</p> <ol style="list-style-type: none"> 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?
2	Why Good Management Requires Moral Excellence	<p>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'.</p> <p>Melé, D.: 2012, <i>Management Ethics</i>: Placing Ethics at the Core of Good Management (Hereafter: <i>Management Ethics</i>) (Palgrave MacMillan, New York), Chap. 1: 'Why good management requires ethics'.</p>
3	Religious and Theological Approaches to Business Ethics	<p><i>Business Ethics in Action</i>. Chap 3 (Appendix)</p> <p>Chan, G. K. Y., 2008: 'The Relevance and Value of Confucianism in Contemporary Business Ethics.' <i>Journal of Business Ethics</i>, 77(3), 347-60.</p> <p>Pava, M. L. 1998. 'The Substance of Jewish Business Ethics.' <i>Journal of Business Ethics</i>, 17, Part 2(6), 603-17.</p> <p>Melé, D. Christian Ethics, 2017 (forthcoming) in R. Kolb, <i>Encyclopedia of Business Ethics and Society</i>. 2nd ed.</p> <p>Melé, D. Catholic Social Teaching, 2017 (forthcoming) in R. Kolb, <i>Encyclopedia of Business Ethics and Society</i>. 2nd ed.</p> <p>Rice, G. 1999. 'Islamic Ethics and the Implications for Business.' <i>Journal of Business Ethics</i>, 18, Part 2:4, 345-58.</p>
4	Ethical Theories for Business Ethics	<p><i>Business Ethics in Action</i>, Chap 4 (Appendix).</p> <p>Solomon, R. C., 1992, 'Corporate Roles, Personal Virtues: An Aristotelian Approach to Business Ethics' <i>Business Ethics Quarterly</i> 2(3), 317-339.</p>

		Hackett, R. D and Wang, D., 2012, "Virtues and leadership. An integrating conceptual framework founded in Aristotelian and Confucian perspectives on virtues" <i>Management Decision</i> 50 (5): 868-899.
5	Business Ethics in a Global Context - Universal Ethics and Cultural Diversity	González, A. M., 2003, 'Ethics in Global Business and in a Plural Society' <i>Journal of Business Ethics</i> , 44(1), 23-36. Scholtens, B. and L. Dam: 2007, 'Cultural Values and International Differences in Business Ethics', <i>Journal of Business Ethics</i> 75, 273-284. Hemphill, T. A. and W. Lillevik, 2011, 'The Global Economic Ethic Manifesto: Implementing a Moral Values Foundation in the Multinational Enterprise', <i>Journal of Business Ethics</i> 101, 213-230. <i>Business Ethics in Action</i> . Chap 3.
6	The Personalistic-Virtue Ethics Approach to Business Ethics	Melé, D.: 2009, 'Integrating Personalism into Virtue-Based Business Ethics: The Personalist and the Common Good Principles', <i>Journal of Business Ethics</i> 88(1), 227-244. <i>Management Ethics</i> , Chap. 2. <i>Business Ethics in Action</i> , Chap 4.
PART 2. THE CORPORATION AND ITS PURPOSE IN SOCIETY		
7	The Corporation within Capitalism	Parker, M. and G. Pearson, 2005, 'Capitalism and its Regulation: A Dialogue on Business and Ethics', <i>Journal of Business Ethics</i> 60(1), 91-101. Smith, J. 2005, Moral Markets and Moral Managers Revisited. <i>Journal of Business Ethics</i> , 61(2), 129-141. <i>Business Ethics in Action</i> , Chap. 2
8	The Concept of Corporation	Phillips, M. J., 1992, 'Corporate Moral Personhood and Three Conceptions of the Corporation.' <i>Business Ethics Quarterly</i> , 2:4, 435-59. 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.
9	The Purpose of the Business: Shareholder vs.	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</i>

	Stakeholder Approaches	<i>Theory and Business</i> 7th ed. (Pearson-Prentice Hall, Upper Saddle River, NJ), pp. 55-64.
10	The Common Good- Mission-Driven Purpose	Handy, C.: 2002, 'What's a Business For?' <i>Harvard Business Review</i> , 80(12), 49-55. 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. <i>Business Ethics in Action</i> , Chap 7.
PART 3. THE INDIVIDUAL WITHIN THE ORGANIZATION		
11	Individual Responsibility within the Organization	Soares, C. (2003). Corporate Versus Individual Moral Responsibility. <i>Journal of Business Ethics</i> , 46, Part 2(2), 143-150. Card, R. F. 2005 'Individual Responsibility within Organizational Contexts.' <i>Journal of Business Ethics</i> , 62(4), 397-405. <i>Business Ethics in Action</i> , Chap 5 (pp. 99-110).
12	Ethics in Decision-Making	Craft, J. L.: 2013, 'A Review of the Empirical Ethical Decision-Making Literature: 2004-2011', <i>Journal of Business Ethics</i> , 117(2), 221-259. Melé, D. 2010. 'Practical wisdom in managerial decision-making.' <i>Journal of Management Development</i> , 29(7/8), 637-45. <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.
13	Wrongdoings and 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. ORGANIZATIONAL ETHICS		
14	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.

15	Ethics in the Organizational Structure	Melé, D. , 2005, 'Exploring the Principle of Subsidiarity in Organizational Forms'. <i>Journal of Business Ethics</i> , 60(3), 293-305. <i>Business Ethics in Action</i> , Chap 11. <i>Management Ethics</i> , Chap 4.
16	Developing Organizational Ethical Cultures	Paine, L. S.: 1994, 'Managing for Organizational Integrity', <i>Harvard Business Review</i> , 72(2), 106-117. Melé, D., 2003, Organizational Humanizing Cultures: Do They Generate Social Capital? <i>Journal of Business Ethics</i> , 45(1/2), 3-14. <i>Business Ethics in Action</i> , Chap 9 <i>Management Ethics</i> , Chap. 6.
17	Power, Leadership and Organizational Ethical Culture	Case study: Medtronic, Inc.: From Corporate Mission to Organizational Culture (A) (IESE BE-156-E) Assignment questions: 1. What are Medtronic's strengths and weaknesses? 2. What is the place of leadership in Medtronic's culture? 3. How should Bill George manage the European affair and the quality problem? <i>Business Ethics in Action</i> , Chap 8, 10.
PART 5. SOCIETAL AND ECOLOGICAL BUSINESS ETHICS		
18	Corporate Social Responsibility and Sustainable Business	Garriga, E. and D. Melé: 2004, 'Corporate Social Responsibility Theories: Mapping the Territory', <i>Journal of Business Ethics</i> 53 (1-2), 51-71. Pava, M.: 2008, 'Why Corporations Should Not Abandon Social Responsibility', <i>Journal of Business Ethics</i> 83(4), 805-812. <i>Management Ethics</i> , Chap 5. <i>Business Ethics in Action</i> , Chap 13 and 14.
19	Environmental Business Ethics and Sustainability	Case study: "Shell's Brent Spar Loading Buoy (A)" (IESE TD-125-E) Assignment questions: 1. Do you think that of the decision to sink the Brent Spar loading buoy is ethically correct? 2. Why did the Shell decision become an international issue? 3. What is your analysis of the actions carried out by Greenpeace? How should Shell have reacted to them? d) What plan of action would you have recommended to Shell's senior management to solve the problems that arose with the Brent Spar case?

		<p>Gibson, K. (2012). Stakeholders and Sustainability: An Evolving Theory. <i>Journal of Business Ethics</i>, 109(1), 15–25. <i>Business Ethics in Action</i>, Chap. 15.</p>
20	<p>Toward to a People-Centered Management</p>	<p>Melé, D. 2003. 'The Challenge of Humanistic Management.' <i>Journal of Business Ethics</i>, 44(44), 77–88. Wetlaufer, S. 1999. 'Organizing by Empowerment: An Interview with Roger Sant and Dennis Bakker.' <i>Harvard Business Review</i>: February, 110–23.</p> <p>Assignment questions:</p> <p>How do S&B understand the firm and its purpose is society?</p> <ol style="list-style-type: none"> 1. What relevant information can lead us to conclude that the Principle of Subsidiarity is (or is not) applied within the AES Corporation? 2. Explain how Roger Sant and Dennis Bakker (S&B) understand the four corporate values. Are these essentially ethical values? Why? Are these values real drivers or only a matter of rhetoric? 3. What elements show the organizational culture of AES? Is it a humanizing organizational culture? Why (not)? How did S&B foster this culture? 4. Regarding the Five Levels of Human Quality Treatment Theory, at what level might we place AES? 5. Discuss the morality of the incident in the Oklahoma plant (pp. 118–9), the controversy with the new power generation plant of Jacksonville (p. 120), and an affair with the Suharto family (p. 119). 6. What moral competences do Roger Sant and Dennis Bakker show? 7. What ethical strengths and weaknesses do you find in the AES Corporation culture and its leadership on considering the information given by S&B? 8. How corporate values and culture have evolved from 1999 to 2013?

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),