

Course Overview and Objectives

Leaders in the 21st century confront a daunting set of challenges. Increasing globalization means doing business in countries with radically different values. At the same time public awareness and scrutiny of business practices has never been higher. Finally, the combination of technology, globalization and ever-present media is leading to rapid cultural and ethical transformations. The focus of this course is on helping the next generation of leaders navigate this landscape and become wiser leaders.

The course is built around three themes. First, research across the social sciences demonstrates not only that people don't always act in their material self-interest, but also that the deviations are systematic and predictable: emotions and ethical values interact to drive behavior. Understanding how values drive action is necessary not only to anticipate the action of others but also to understand and anticipate our own behavior.

Second, it is the case that values inevitably conflict and confront leaders with "tough choices". Tough choices are not always the same as hard choices. Leaders are often blindsided when what looks like an easy choice provokes unexpected and passionate opposition. Everyone thinks that others share their values but when fundamental values conflict this consensus often breaks down. For this reason leaders must learn to identify tough choices. Often this means learning to listen to those who strongly disagree with you. Making things even harder is that there are no formulas for resolving tough choices.

Third, whatever value propositions leaders pursue, they confront inevitable tensions between: the short and long term; and real motivations and rationalizations. Even a profit maximizing CEO must reconcile the need to meet short-term targets against the needs for long-term growth. The fact that investors and other stakeholders can't know the CEO's true objectives leaves them free to assume the worst. These two problems put a premium on communicating the values that drive action.

Leaders who make good decisions in very difficult situations have often been called wise. The imperative, "get wisdom" echoes down through antiquity. Socrates, upon learning from the oracle at Delphi that he was the wisest man in Greece, scoured the land to interview all those who claimed to possess wisdom. At the end he determined that the only special knowledge he seemed to possess was the knowledge that he did not possess wisdom. Knowledge and understanding of recent academic work related to ethics and leadership can help in the pursuit of wisdom. But even when knowledge is tempered with creativity, experience and humility, wisdom remains elusive. This class does not promise wisdom, let alone a formula for attaining it. We will be more than satisfied if you are better able to recognize and act on "right opinion" when you find it.

Course Format:

Each session, we will focus on various perspectives and challenges that are confronted in the ethical realm of organizational life. Our goal will be to give you the tools to effectively discern all the relevant value propositions in any given situation. We will accomplish this by discussing key theoretical concepts and analyzing related cases.

In each class session, we will use a case or exercise to motivate our discussion. You should come to class prepared to summarize key points from the day's readings and to contribute to the case analysis. As you complete the readings, ask yourself:

- What is the basic argument the author makes?
- What are the key concepts/principles?
- So what? How does this matter for the individual, organization and market?
- What are the implications for the kinds of challenges I may face as a leader?
- How can I apply this to my firm, my job, and my career?

This course reflects a dual focus on practice and conceptual training. The articles introduce key concepts and useful ways of thinking about complex situations in organizations. Case studies and class exercises provide opportunities to apply theories, concepts, and research findings to particular situations and to sharpen your skills in defining value conflicts and ethical dilemmas and constructing appropriate solutions. The written assignments ask you to consolidate your insights and apply your own conceptualization of values-based leadership.

Course Requirements and Assignments

Assignments:

Your final grade is composed of:

- | | |
|---------------------------------|-----|
| 1. Course Contribution | 20% |
| 2. Individual Reflection Papers | 20% |
| 3. Group Projects | 20% |
| 4. Final Exam | 40% |

Course Contribution (20%)

Very simply, to achieve an A in this course, you must show up and participate. All class sessions involve active discussion based on the readings and cases, with an emphasis both on theoretical questions and practical implications. You should be prepared to share your ideas, listen to and interpret the issues presented by others.

Please review the readings and case for every class session carefully. Most participation will be voluntary; however, in order to ensure that everyone has the opportunity to be involved, individuals will occasionally be called upon "cold." If you feel that you are preparing well for class but that you are not being called on enough, please let me know so that I can address the issue.

It is important that you read the basic reading materials *before* class. In some classes, there are some short surveys. **The surveys are due by 9 am on the day of the assigned class.** In some indicated classes, a laptop is needed, but laptop use in class is limited to the specific exercises for which it is needed.

Quality discussion comments possess one or more of the following attributes:

- Offer a relevant perspective on the issue

- Provide a thoughtful analysis
- Apply the theory and concepts offered in the readings and lectures
- Move the discussion forward by building on previous contributions with new insights; do not repeat points already made by others
- Asking good questions. Good questions are as important for good discussion as thoughtful answers. When you pose a question, be prepared to offer a tentative answer.

Again, it is expected that students will attend every class and participate regularly in discussion and class exercises. If you must miss a class, please notify me at least 24 hours in advance so that I can make arrangements for any in-class exercises and so that you can get the materials that will be distributed during the class.

Reflection Papers (20%)

You will be asked to write four reflection papers. The purpose of the reflection papers is to encourage you to reflect on your past behavior and experiences in which value considerations were brought to bear so that you will have greater perspective in the future. Each reflection paper is **due by 3 pm on the day of the assigned class in weeks 2, 4, 6 and 9.**

Group Projects (20%)

Study Groups will be formed to work on two group projects **by 3 pm on the day of the assigned class in weeks 3 & 10.** The first group project is the Food Aid case. Your study group will be assigned one of four perspectives for that case. The second group project requires your group to develop a presentation for the Genzyme case.

Group Evaluations: Group evaluations may or may not be employed and factored into your course contribution grade. If employed, you will use the evaluation form at the end of this syllabus that shows the specific criteria on which you will evaluate your Study Group teammates.

Final Exam (40%)

The exam will be a take home exam that will be due via e-mail at 5pm on Tuesday March 17th **(date to be confirmed).** It will test your knowledge and understanding of all the relevant concepts explored in the class.

Office Hours:

I will be available to meet with you in my office (Leverone 360) by appointment every week. Please contact me for an appointment.

Consideration for Classmates:

A class requires careful attention to fairness and mutual respect for one another. You are expected to **attend every class on time and to stay for the entire class session.** If you have an unavoidable conflict, please do not disturb your classmates by arriving late, leaving early, or asking to have information you missed repeated during the class. Always let me know at least 24 hours in advance if you will miss a class session so that I can make arrangements for any in-class exercises to be certain that your classmates do not suffer from your absence. This advance notice will also allow us to make arrangements to ensure that you get all of the materials distributed in that class.

If you are familiar with a case or an exercise introduced in class, please do not discuss your prior knowledge with other students, as this can ruin the learning experience for them. **Telling other students (in any section) about your experience with cases and exercises is an honor code violation.** If you are concerned that your prior experience with a case might be an issue, please let me know before class.

This course adheres to the guidelines established in the Kellogg Honor Code and the Kellogg Code of Classroom Etiquette.

Foundations

Week 1: January 8

Objectives:

Leaders of all organizations must confront and resolve conflicts of values, not only their own conflicts but also values conflicts within and between other stakeholders. The first week of the class will focus on the class setup including getting organized for the first group project (due week 3). We will consider the ways that values motivate action, the ways that values change in a systematic fashion, and the way in which managers fall back on the idea of maximizing shareholder value as a way to resolve values conflicts. The class will focus on an in-class group exercise in which each group will be asked to make a decision about selling a potentially defective product in the developing world.

Read:

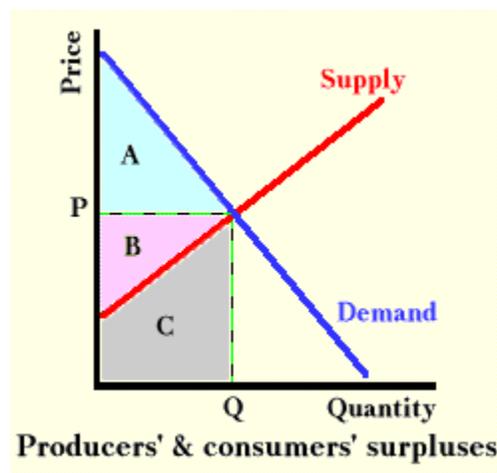
- Friedman: The Social Responsibility of Business is to Increase Its Profits
- Friedman/Mackey debate

Case (Zumanda):

- To be handed out in class.

Discussion Question:

Do you agree with Friedman that corporate managers have an ethical imperative to maximize stockholder value (i.e., to maximize profit is the only social responsibility of a corporate manager)?



Fairness, Rights, and Persuasive Argumentation

Week 2: January 15

(Please bring a laptop computer to this class)

Objectives:

Some of the most difficult values conflicts concern allocating scarce resources, deciding what is fair, and deciding what is just. Although such choices are difficult many people believe that, at the end of the day, people agree on how such conflicts should be resolved. The class includes an exercise relating to the allocation of kidneys and we will also discuss the results of the “Tough Choices” survey. This class will also provide insights on how to persuade people toward your positions on tough choice dilemmas.

Read:

- Sandel: How Markets Crowd Out Morals
- Tetlock: Taboo Scenarios: How To Think About the Unthinkable
- Grant: How Customers Can Rally Troops

Case (Kidney Transplant):

- To be handed out in class

Discussion Question:

How do increases in market-based thinking affect society broadly?



DUE January 15th: (1) First Individual Reflection Paper. In a page or less, answer the question: “Should people be permitted to sell their organs?” Identify the key value propositions in your argument.

Values Conflicts

Week 3: January 22

Objectives:

Consider in greater depth the nature of values conflicts, standard values propositions (e.g., fairness, efficiency, consequentialism and deontological considerations) and ask first, how people actually resolve values conflicts and then confront the question of how we ought to resolve such conflicts. We will build upon the case we did in class the previous week and integrate classical perspectives on ethics and duty. In addition we will link perspectives from economic theory with empirical findings on how people resolve value conflicts from the psychology literature.

Read:

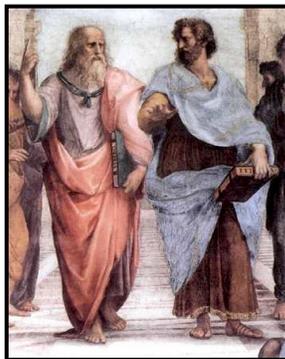
- Kidder: The Ethics of Right versus Right, Justice versus Mercy
- Pinker: The Moral Instinct
- Abraham Lincoln's Letter to Horace Greeley
- Martin Luther King Jr.: Letter from Birmingham City Jail

Case:

- Food Aid

Discussion Question:

What are the primary obligations of a leader?



DUE: January 22
First Group Project: **Food Aid**

Stereotyping, Discrimination, and Bias

Week 4: January 29

(Please bring a laptop computer to class)

Objective:

One of the most difficult problems facing managers centers on building a diverse workforce. Diversity has benefits, but management and government interventions that intend to build diversity often result in charged and difficult discussions. We will focus on a discussion of the Anne Hopkins case and we will look at how stereotyping and bias may operate at a nearly subconscious level. The class will also focus on solutions to managers when facing issues concerning stereotyping and discrimination.

Read:

- Banaji, Bazerman, & Chugh: How (Un)ethical Are You?
- Kantor: Harvard Business School Case Study: Gender Equity



Case:

- Anne Hopkins

Discussion Questions:

1. Do you think that either the procedure or the outcome in the Anne Hopkins's case was unfair?
2. Do you have any experiences working at a firm that properly managed diversity issues?

DUE January 29th: Second Individual Reflection Paper. Suppose you are faced with discrimination in the workplace. In a page or less, address how you should respond: when (if ever) should you play with the rules and when (if ever) should you fight to change the rules?

Emotions and Perspective

Week 5: February 5

Objectives:

This week we look at the connection between values propositions and emotions. Emotions are important drivers of human behavior, but they can cause conflicts with their values. We will focus on the McLibel case and discuss recent research in psychology and behavioral economics that sheds light on the way emotions impact strategic decision-making, and how to leverage the power of emotion.

Read:

- Bazerman, Loewenstein, & Moore: Why Good Accountants Do Bad Audits
- Bloom: The Case Against Empathy

Case:

- McLibel Case

Discussion Question:

- When and what type of emotions lead to good decisions, and when do they blind people from their own best interests and the interests of others?



What's to Be Done? Managing through Incentives and Values

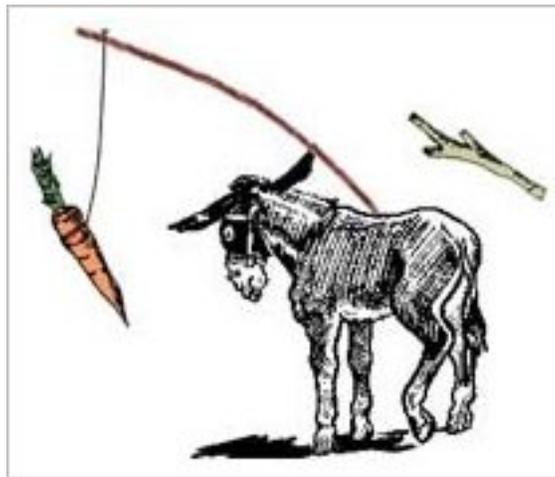
Week 6: February 12

Objectives:

Leaders have a range of potential interventions available to motivate individuals and groups. Economists (along with much of the MBA curriculum) naturally focus on material incentives (rewards and punishments) in order to motivate action. Up to this point the class has focused on the way in which people are motivated by concerns that go beyond simple self-interest. In these classes we look at implications of ethically motivated agents for management interventions. We will look at the ways in which introducing material incentives into situations in which behavior is driven by values concerns can sometimes be counterproductive. We will also look at alternative interventions that leverage values to persuade rather than compel.

Read:

- Ariely: The Cost of Social Norms
- Cialdini: Crafting Normative Messages To Protect The Environment



DUE February 12th: Third Individual Reflection Paper. In no more than two pages, identify and analyze a situation of which you are aware (preferably, observed directly) that illustrates the perverse effect of incentives. Consider what went wrong and propose an alternative that might have yielded a better outcome.

Speaking Truth to Power

Week 7: February 19

Objective:

More often than they would like managers have to confront situations in which customers, employees, suppliers, or other managers and even their bosses engage in behavior that is unethical or illegal. The manager may be faced with a choice of confronting the unethical behavior and risking a valued client, a job or not confronting the behavior and becoming morally or legally liable. The goal of this class is to develop skills and approaches for dealing with ethical violations by subordinates, peers and those in positions of power.

Read:

Johnson: Whistleblowing: When it Works and Why, Ch. 1
Waytz, Dungan, & Young: The Whistleblower's Quandary

Case:

- “Through the Eyes of a Whistleblower”

Discussion Questions:

- Define whistleblowing as the public revelation of information (from someone inside an organization) about the organization or an individual in the organization that leads to the potential sanction of that organization or the individual. What parameters of the situation determine whether you have an obligation to “blow the whistle”?
- Whistleblowing often leads to retaliation against the whistleblower. Come up with strategies that you could advise someone whom suspects that illegal activities are taking place, but have no proof of any wrongdoings.

Publicizing Values

Week 8: February 26

Objectives:

In the previous weeks we saw how managers can leverage values to build value within the organization. This week we show how firms build value for brands with consumers by leveraging values. Values-based marketing focuses on the practice and ethical implications of marketing values. Marketing itself has its origins in modern psychology and was originally known as propaganda. Obviously, propaganda has acquired quite negative associations as a result of the way totalitarian regimes leveraged propaganda for purposes of social control. In class we will look at the connection between propaganda and marketing on values. We will also discuss the Unilever Dove and Axe campaign. We will focus on particular cases of values based marketing including Toyota's recent success with the Prius hybrid.

Read:

- Pratkanis and Aronson: Age of Propaganda pp.48-67
- NY Times: Say 'Hybrid' and Many People Will Hear 'Prius'
- Heath and Heath: Made to Stick, Ch. 1

Case:

- Unilever: Dove and Axe

Discussion Questions:

1. What are the values that underlie the Dove and Axe campaigns? Are they in conflict?
2. Sales of Toyota Prius are rising while sales of other hybrids are declining. Market research suggests that the Prius is benefiting because consumers are using it to make statement about themselves. What steps can the other car companies take to compete with Toyota?

Building culture: values statements

Week 9: March 5

Objectives:

This week's class looks at the ways in which entrepreneurs and managers build values into their organizations and how this can create difficult values conflicts. The class will discuss the Veridian case, mission statements, and honor codes.

Read:

- Collins & Porras: Building a Vision
- Greg Smith: Why I Am Leaving Goldman Sachs
- Kellogg Honor Code

Cases:

- Veridian

Discussion Questions:

1. Given the processes inherent to conflicts of interests (and that warnings seem to be ineffective), what remedies would you propose to deal with this vexing problem? Think of one way to eliminate the self-serving biases that spring from many incentive plans.
2. After a company creates a value statement, how might the company encourage employees to adopt its ideals?
3. How well does the Kellogg Honor Code work? What, if anything, should students, faculty and the administration consider changing about the honor code and its administration to make it more effective?

DUE March 5th: Describe briefly (in 100 words or less) a dilemma you have faced at work between two or more conflicting values/value propositions. Also describe briefly (in 100 words or less) how applying one of the frameworks from class presents a possible solution to the dilemma.

Values in the Global Environment

Week 10: March 12

Objectives:

Globalization may create unprecedented social problems and values conflicts that are likely to be the defining feature of our professional lives. We will look at doing business across cultures, in harsh environments, and we will discuss the presentations on the Genzyme case.

Read:

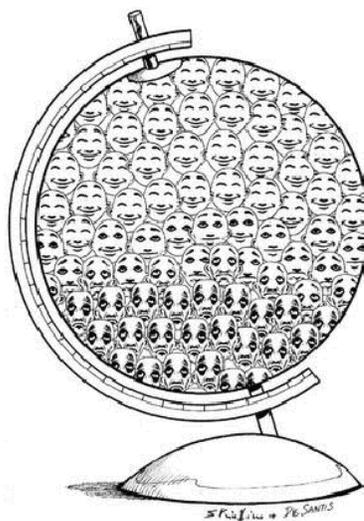
- Donaldson: Values in Tension: Ethics Away from Home
- Haidt: The Righteous Mind, Ch. 5

Case:

- The Chiquita case
- The Genzyme case

Discussion Questions:

1. What are the key parameters determining whether a manager must protect the employees of a company with strategies that may impose significant risk to others?
2. What were the conflicting value propositions faced by Genzyme, both internally and externally, when addressing the Egypt problem?
3. Which concrete recommendations can you make about how to proceed in the Chiquita and in the Genzyme case?



Due March 12th: Second Group Project. Develop a presentation on the Genzyme case.