

Syllabus
Spring, 2006
LEB 380-1, Unique Number 03220
Social and Ethical Responsibility of Business
Monday/Wednesday, 9:30 a.m.
UTC 1.146
McCombs School of Business
University of Texas at Austin

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1. Course Objectives. Students in this course will examine the following areas of inquiry: (a) the appropriate roles of business in society; (b) the roles of government and regulation in monitoring business, its legitimacy, and its behavior; and (c) the ethical responsibilities of managers. In the course of this examination, you will be expected to discuss the merits of various viewpoints and develop defensible perspectives of your own. The process includes oral discourse, formal and informal, as well as written assignments.
2. Teaching methods. The course will combine lecture and discussion, with a significant allocation of time to the latter. While some readings will be discussed in class in detail, others provide background that will help prepare you to listen to the student presentations. The readings also may spark analysis for your journal.
3. Assignments and grading. The following course requirements will count for the designated percentages of your final grade:

Journal	1/3 (each installment = 1/6)
Presentation	1/3
Paper	1/3

The presentation will be peer-evaluated (although I reserve the right to raise a presentation grade if my assessment differs from the audience assessment). I shall grade the journal and the paper. Each of the assignments, with instructions and due dates, is attached to this syllabus. Attendance in this course is required. You can miss two regularly scheduled classes, and you need not inform me of these two missed classes, either in advance or afterwards. Your grade will be lowered, however, if you miss more than two regularly scheduled classes. Your grade may also be lowered if you are periodically late to class.

4. Office Hours. Scheduled office hours are very informal, in the form of “student roundtables” held during different times throughout the semester, to be announced in advance. This is to

ensure that no student has classes that conflict with all informal office hours. Students are also encouraged to drop by my office at any time, communicate via e-mail, or set up appointments if that's most convenient for you. My office is CBA 2.316, in the MBA Program Office. I prefer to communicate by e-mail rather than telephone. My e-mail address is Steve.Salbu@mcombs.utexas.edu.

5. Laptop Computer Policy. Both students and I have had a strong preference for a no-laptops policy in class during previous semesters. Accordingly, with the exception of groups that are using laptops to make their class presentations, laptop use is not permitted during class.
6. Texts. There are four required texts:

Beauchamp, Tom, *Case Studies in Business, Society and Ethics (5th ed.)*.

Ehrenreich, Barbara, *Nickel and Dimed: On (Not) Getting By in America*.

Friedman, Milton, *Capitalism and Freedom*.

Lewis, Michael, *Liar's Poker*.

I have replaced a fifth book from earlier semesters with something I think will be far more useful to you—a requirement that you regularly read business or news periodicals. The purpose of this reading is twofold: (i) It is to provide fodder for some journal entries apart from those that react to class discussions; and (ii) It should enhance your ability to integrate current events from the functional areas of business with your ongoing ethical analysis and development.

Schedule

1. Wednesday, January 18

Introduction to the course.

Former student Eric Baur will go over the syllabus and answer any questions you have about the class. The goal is to help you decide if this is a good class for you, and a former student's perspective should provide a good, objective sense of strengths and weaknesses.

Start reading Friedman, *Capitalism and Freedom* (chapters III-V are optional), due January 25.

2. Monday, January 23

Group Presentations and Assignments. Group formation and selection of preferences for group presentation topics. Groups will form, discuss the topics, and rank their choices from highest to lowest, ranking all topics. I will do my best to optimize group preferences.

MODULE I: THEORETICAL FOUNDATIONS

3. Wednesday, January 25

The classical liberal approach to understanding the roles of business and government in society. Discussion of Friedman book. Be prepared to critique the book, and to assess whether and to what degree you concur with Friedman's arguments.

READING DUE: Friedman, *Capitalism and Freedom*. Note that Chapters III, IV, and V are optional. The remainder of the book is required.

Note: The next reading, Barbara Ehrenreich's *Nickel and Dimed*, is due on February 15. This book touches on many themes that will arise throughout the course. I'm assigning it now because it provides some context for the February 15 presentation on Executive Compensation. But as you read it, please also pay attention to some other areas that are relevant later in the class, particularly employee drug testing and the quality of work life in modern society.

4. Monday, January 30

Friedman discussion, continued. Comparison with the stakeholder approach to understanding the roles of business and government in society.

5. Wednesday, February 1

Teleological versus deontological normative philosophies.

6. Monday, February 6

Why good people make bad decisions.

MODULE II: CORPORATE GOVERNANCE AND ISSUES RELATING TO LEADERSHIP AT THE TOP OF THE ORGANIZATION

7. Wednesday, February 8

Corporate Governance and Sarbanes-Oxley
Guest Lecturer Professor Robert Prentice

8. Monday, February 13

Whistle-Blowing

READING DUE: Beauchamp, pp.32-39, The Reluctant Security Guard; An Explosive Problem at General Motors.

9. Wednesday, February 15

Executive Compensation

PRESENTATION: Is the compensation of CEOs at leading corporations unconscionably high, or is it desirable/justifiable?

READING DUE: Barbara Ehrenreich, *Nickel and Dimed: On (Not) Getting By in America*.

MODULE III: MARKETING

10. Monday, February 20

Marketing Tobacco and Alcohol

READING DUE: Beauchamp, pp. 157-176 (two cases, Banning Cigarette Advertising; Marketing Alcoholic Beverages and its Impact on Underage Drinkers).

PRESENTATION: Discuss the ethics of marketing tobacco, marketing alcohol, or both, in terms any or all of the following: (1) underage customers, (2) target marketing ethnic groups and/or women, (3) moving questionable practices that have been abandoned in the United States to markets in developing nations.

11. Wednesday, February 22

Distribution of Pornography by Major Corporations

READING DUE: Beauchamp, pp. 47-53, Pornography's Many Markets and Distributors

PRESENTATION: The list of major corporations that have been in the business of distributing pornography will be surprising to many. What are the ethical arguments in favor of this activity? What are the ethical arguments against this activity? What is the group's position on whether, or to what extent, major corporations should engage in the business of distributing pornography?

12. Monday, February 27

Corporate advertising and images of women: film and discussion.

13. Wednesday, March 1

Pricing of Drugs for Deadly Diseases in International Markets

READING DUE: Beauchamp, pp.204-11, AIDS, Patents, and Access to Pharmaceuticals.

PRESENTATION: Discuss the challenges facing pharmaceutical companies in regarding to pricing HIV/AIDS drugs in international markets. Are current pricing practices ethically justified? Discuss/explain the arguments on each side of this pricing issue. What recommendations would you make to these companies in terms of their drug pricing policies?

ASSIGNMENT DUE: Installment 1 of the Journal is due today in class. Please be sure to put your McCombs mailbox number on the cover page of the journal.

14. Monday, March 6

Global Connections Trips Week—Independent Work on Research Papers is suggested for students who are remaining in Austin.

15. Wednesday, March 8

Global Connections Trips Week—Independent Work on Research Papers is suggested for students who are remaining in Austin.

MODULE IV: HUMAN RESOURCES MANAGEMENT

16. Monday, March 20

Balancing concerns: worker safety versus worker equity
Mini-case will be distributed in class.

17. Wednesday, March 22

Employee Drug Testing

READING DUE: Beauchamp, pp. 14-19 (Drug Testing at College International Publishers).

PRESENTATION: When, if ever, are corporations justified in engaging in employee drug testing?

18. Monday, March 27

Sexual Harassment

READING DUE: Beauchamp, pp. 20-31 (Two cases, Awkward Advances at *Your Old House* Magazine; Managing the Crisis at Mitsubishi Motors)

PRESENTATION: How is sexual harassment currently defined—what kinds of behaviors are legally and socially acceptable, versus unacceptable? What principles/guidelines would you suggest to your classmates in regard to ethical and legal behavior in the workplace?

19. Wednesday, March 29

Equal Employment Opportunity

READING: Beauchamp, pp. 212-22 (Two cases, AT&T's Policies on Affirmative Action; Rumpole's Revenge, or Women in Catering.)

PRESENTATION: Is affirmative action an effective diversity/equal opportunity policy? A fair one? If yes, explain why. If no, what alternatives, if any, do you believe should be adopted to provide equal employment opportunity?

MODULE V: ORGANIZATIONAL BEHAVIOR

20. Monday, April 3

Providing meaningful work:
Theories of motivation and human dignity.

21. Wednesday, April 5

Organizations and Conformity:
Are workplace bureaucracies killing our souls?

MODULE VI: FINANCE AND ACCOUNTING

Note: The accounting component is covered under the Corporate Governance module, earlier in the semester, in Dr. Prentice's February 8 guest lecture

22. Monday, April 10

Social and Ethical Issues in Financial Services.

READING DUE: Lewis, *Liar's Poker*.

MODULE VII: INTERNATIONAL BUSINESS

23. Wednesday, April 12

Outsourcing the Manufacture of Apparel and "Sweatshops" in Developing Nations

PRESENTATION: Nike has been plagued over the years with an array of allegations suggesting that its products are manufactured under sweatshop conditions in developing nations. Investigate and discuss the various allegations that have been made over the years, and the defenses Nike has raised. What recommendations would you make to Nike going forward, to address this ongoing concern?

READING DUE: Beauchamp, pp. 177-81, Nike's Defense of its Vietnamese Factories.

Case update, not relevant to the presentation but maybe of interest to you in regard to the California lawsuit discussed in the reading:

As the case suggests, the U.S. Supreme Court agreed to hear the case of Nike v. Kasky in 2003. However, on June 26, 2003, the date we expected to receive the Supreme Court's decision, the Court surprised the legal community by dismissing the writ of certiorari. This is legalese that basically means the Court reversed its earlier commitment to review the California Supreme Court's decision. The U.S. Supreme Court's reasons for declining after all to review the case were technical: The Court noted that (1) the California judgment wasn't yet final, (2) neither party had standing to invoke jurisdiction of a federal court, and (3) the Court wanted to avoid premature adjudication of a novel Constitutional question. *Nike v. Kasky*, 123 S. Ct. 2554 (2003).

24. Monday, April 17

When in Rome, do as the Romans?

READING DUE: Beauchamp, pp. 106-08 (Italian Tax Mores).

During this class, you will work in teams of three on “collaborative journal entries,” which will be explained to you more fully in class. These teams are free to work during the normally scheduled class time, or at another time designated by the team, since today is the day before Thanksgiving. We will not convene in our classroom today—you are free to choose your own teams, and those teams will decide independently when and where to do this assignment.

MODULE VIII: THE ENVIRONMENT AND PRODUCT SAFETY

25. Wednesday, April 19

Ethics and the Environment

READING DUE: Beauchamp, pp. 125-133, Regulating Emissions: From Acid Rain to Global Warming.

Guest Lecturer Professor David Spence

26. Monday, April 24

Product Risk and Its Social Consequences

READING DUE: Beauchamp, pp. 191-198, H.B. Fuller in Honduras: Street Children and Substance Abuse

27. Wednesday, April 26

Animal Testing of Cosmetics

PRESENTATION: What are the appropriate limitations for the commercial use of animals in research, development, and the manufacture of (a) products, such as cosmetics, and (b) medical advances and products, such as pharmaceuticals and other treatments?

MODULE IX: ETHICAL ISSUES IN CYBERSPACE

28. Monday, May 1

Workplace Privacy and the Internet: E-Mail Monitoring

PRESENTATION: Under what conditions, if any, are employers justified in reading employee e-mail communications that are made on company-owned computers?

29. Wednesday, May 3

Copyright Infringement and MP3 Technology

READING DUE: Beauchamp, pp. 79-86, Napster's Free Market in Intellectual Property.

PRESENTATION: Presenting group can address all or some of these issues:

MP3 technology has the potential to change the way music is packaged and distributed. This change can be beneficial to artists, businesses, and consumers. But the technology also can be used to undermine intellectual property rights of artists and distributors. This has led to litigation against MP3.com and Napster, among others. Explain the MP3 technology, and its potential uses and abuses. Examine the ethics of file-sharing practices.

ASSIGNMENT DUE: Second journal installment is due today in class.

Assignments

Important note: The second installment of your journal is due in class on May 3 and the research paper is due at the MBA Program Office Receptionist's desk by 4:00 p.m. on May 5. I strongly urge you to work on the paper well in advance of the deadline. The assignment is below and you can begin any time you like. Likewise, I strongly urge you to keep up with the journal installments throughout the semester. **If you follow this advice, you will face no time crunch during the last week of class.**

Journal. DUE MARCH 1, 2006 (first installment) and MAY 3, 2006 (second installment), in class, hard copies only (no electronic submissions, please), double-spaced. Late journals will receive a grade reduction. One third of your grade will be based on an informal journal that you will keep throughout the semester. The journals will be evaluated in two installments, as noted in the due dates above. You are encouraged to record your reflections on each class and reading assignment. Important: Separate journal entries must also respond to the current events readings that you will be doing throughout the course, as described in Section 6 above. The journal should be typed double spaced rather than hand-written. Save documents regularly and make hard copies regularly to avoid technology glitches. Journal entries need not be rewritten, edited, or formal. They are your observations upon reflection, and will not be evaluated as formal papers. They should, however, be thoughtful and well-reasoned. It's impossible to tell you how long they should be, or how many entries should be made, etc. They will be graded relative to other journals received in terms of quality of analysis and thoroughness. In other words, both quality and quantity obviously count. Except for the one "collaborative journal entry," the journal is an individual assignment that you and only you are allowed to work on and write.

Blackboard Discussions and the Journal. One of the most enjoyable and effective ways to keep a journal for this class is to use the Blackboard Discussion pages that I will post. Here are the rules: You are encouraged to cut and paste your own Blackboard Discussion postings directly into your journal. You are not permitted to cut and paste anyone else's Blackboard Discussion entries into your journal. *Except for* the required coverage of outside readings (see above), your journal can consist entirely of your Blackboard Discussion entries. If you choose this route, the journal will still of course be graded on the basis of the same two factors noted above, quality of analysis and thoroughness. The reason I recommend this approach is that it makes the process of journal writing interactive, and either relatively painless or even fun. It also allows us to continue our discussion in a lively way after class has ended.

Paper. DUE MAY 5, 2006, to be submitted as hard copy, double-spaced, to the receptionist in the MBA Program Office no later than 4:00 p.m. Please note that I won't grant extensions on papers and late papers will receive a grade deduction. I'm giving 3+ months notice of the assignment, plenty of time to plan ahead. I strongly urge that you not procrastinate.

This is a research paper, and you are to choose from the topics below. The paper is an individual assignment that you and only you are allowed to research and write. You should examine both/all sides of the issue, and explain the reasoning behind your position. While there is no set page restriction, papers should be between approximately 8 and 15 pages, double-spaced, including references. Remember that, unlike the journal, this is a research paper and accordingly should cite outside sources, and the quality of your sources affects the quality of your research paper (e.g., Internet sources can be good, but they do vary a lot in credibility).

References: Please make reference to the resources you are using as follows:

1. Whenever you use another person's materials, a parenthetical annotation is needed for academic honesty. You must attribute all ideas that come from your readings and research.
2. Immediately after the text that requires annotation, place a parenthetical with the author's name and the page or pages referred to.
Example—Some libraries use filtering devices to protect children from materials deemed unsuitable or obscene (Smith, pp. 21-22).
3. Create a bibliography at the end of the paper that lists, alphabetically by author, each source contained in a parenthetical. Each entry should include as much information as you can give me, typically author, title, journal title, volume, dates, page numbers, etc.
4. For Internet sources, give me any of the above information that is available, plus the address and the date visited. If the Internet source lacks an author, incorporate it in the alphabetized bibliography by title, address, or whatever seems to make the most sense to you.

In choosing from below, your only restriction is that you cannot write about the topic on which you made your presentation:

1. What strategies should countries around the world adopt to fight international bribery?
2. What policies should tobacco companies adopt in regard to marketing their products ethically?
3. Is insider trading unethical? Or should it be legalized because it isn't unethical?
4. Are golden parachutes unethical?
5. When are companies justified in engaging in employee drug testing?
6. Identify an ethical question arising from Cyberspace technology, and answer the question.
7. Do companies have an ethical obligation to provide benefits for same-sex partners of employees?

8. Is affirmative action an effective diversity/opportunity policy? A fair one? If yes, explain why; if no, what alternatives, if any, do you believe should be adopted to provide equal employment opportunity?
9. What are the ethical implications of stem-cell research that is conducted to develop products that help human beings? Is stem-cell research for medical treatment advancement ethical?
10. Fast food companies are currently under fire for marketing high-fat products to children, thereby contributing to a fast-growing problem of childhood obesity. What are the practices that are being criticized, and which, if any, do you consider unethical? Explain why.
11. Explain the basics of the Sarbanes-Oxley Act and its efforts to improve practices in accounting. Then examine the main provisions critically, and assess whether they seem likely to be effective in elevating ethical practices in the accounting profession.
12. Greenmail is money demanded of incumbent management by a corporate raider, under threat that if it is not paid, the raider will take over the company and fire the management. Some critics say it should be outlawed; others say it can actually serve useful purposes. Explain what greenmail is and how it works in more detail; then explain the countervailing perspectives on whether greenmail should be permitted under law, and finally provide your perspective on the debate and explain why you support that perspective.
13. **Feel free to recommend your own topic. If you choose this option, please send me a brief e-mail suggesting the topic. It should pose some kind of question to answer, as the above topics do.**

Presentations. Team Presentations will be made according to the following guidelines: (1) Topics are outlined in the schedule. On the second day, topics and teams will be assigned/chosen. Given obvious limitations, I hope to give you as much choice as possible regarding both group affiliation and presentation subject. (2) Your presentation should include the following: (a) A statement of the nature of the problem. (I.e., if you are discussing greenmail, you should tell the class precisely what greenmail is, how it works, and what its effects are.) (b) A presentation of the best arguments to be made on both sides of the question you are addressing. (c) A clear and unequivocal statement of your position regarding the question, supported by logical reasoning and/or illustrative examples. This does not mean that you must be extremist, taking either one radical side or the other. Rather, it means that your listeners should have a clear understanding of the nature and extent of your viewpoint. (3) **This formal part of your presentation should be timed to take approximately 25 minutes. In the past, groups that have exceeded this amount of time for the formal part of their presentations have tended to receive lower evaluations.** Following your formal presentation, the remainder of class time will be devoted to informal questions from the rest of the class, or a

discussion among the entire class orchestrated by the group, or any combination of both that the group chooses. **Note, however, that I want to give you a LOT of flexibility here. Some groups prefer, for example, to incorporate some class discussion and/or exercises throughout the presentation, and this can be extremely effective.** (4) While part of the purpose of the presentations is to enhance presentations skills, you are permitted to divide labor within the group any way you like, so as to make the most effective presentation possible. This means that all actual speaking can be done by any or all of the members of the group. (5) **THIS PART IS REALLY IMPORTANT: FOR THE BENEFIT OF US ALL, YOU SHOULD SPEND A LOT OF TIME ENSURING THAT YOUR PRESENTATION IS ENJOYABLE AND ENGAGING!¹ THIS WILL BE ONE OF THE GRADING CRITERIA. SURE-FIRE SNOOZE-INDUCERS TO AVOID LIKE THE PLAGUE: PRE-WRITTEN SPEECHES THAT ARE READ TO THE GROUP, AND UNDER-PREPARED PRESENTATIONS THAT ARE BADLY ORGANIZED OR OVERLY DRY.**

EVALUATION: In fairness to the presenting group, audience students who arrive after the presentation has begun will not be given evaluation forms. This is a firm rule, even if you arrive seconds after the start of the presentation.

Ordinarily, your grade for the presentation will be based on of the attached "Audience Evaluation Form," to be filled out by your peers at the end of your presentation. You will not get to see these until all teams have presented. For more immediate feedback, you will get to look at the forms entitled "Immediate Qualitative Group Feedback," also filled out by your peers, at the end of your presentation.

You should try to resolve any disputes that may arise in work groups early. If you believe a member of the group is not carrying his/her weight, tell the member as soon as you can. Groups should try to resolve any disputes on their own if at all possible. I will intervene if you come to me and tell me that you have reached an irresolvable impasse, and I reserve the right to lower the individual presentation grade of any group member who has not contributed a reasonable share to the group project. I have witnessed very few problems with group projects in this course.

¹ Enjoyable and engaging are not necessarily synonymous with entertaining. There are many ways to do it, and I don't care how you do it, but you are expected to keep our attention. The goal-- we should be riveted to our seats, fascinated by your observations, sad to see the session end, etc. Feel free to be creative, but both presenters and evaluators should remember that there are many ways to make a presentation enjoyable and engaging.

TOPIC _____

PRESENTER(S) _____

LEB PRESENTATIONS
AUDIENCE EVALUATION FORM

Directions: Grade the presentation you are observing by placing a numerical grade ranging from 1 (low) to 10 (high) in the Space provided. Group members will have access to these numbers only after all groups have completed their presentations.

1. Evaluate the quality of organization of the presentation. _____

2. Evaluate how well-informed the presenters were. _____

3. Evaluate the degree of persuasiveness of the presenters, if applicable. _____

4. Evaluate how engaging the presentation was. (Please be demanding here. It is very important to the quality of this part of the course that the presenters be lively, interesting, and engaging) _____

5. If questions were asked, evaluate the quality of response. _____

6. Give the group an overall grade. (The grade should be related to the above grades. If the grade is not, explain what other factors went into your overall assessment.)

Overall grade: _____

TOPIC _____

PRESENTER(S) _____

LEB Immediate Qualitative Group Feedback

Please use this page to provide detailed assessment of the strengths and weaknesses of the presentation. Please be honest and straightforward, but tactful. Remember that this is meant to be a learning experience, and that useful, constructive criticism may help improve someone's work. Group members will have access to this form immediately following the presentation.

Grading Sheet for the Journals:

Name _____

Journal Evaluation Sheet—Entry One

1. *Quality of Content*

- A. Depth of analysis—did you examine issues probingly and closely, as opposed to superficially?

Excellent—issues examined in great depth and detail
Very good—issues examined in substantial depth and detail
Fair—issues examined in moderate depth and detail
Adequate—issues examined in passable depth and detail
Oops—issues examined in very little depth and detail

- B. Explication of logic and reasoning—did you explain your conclusions, or simply state them?

Excellent—elaborate explication of logic and reasoning
Very good—substantial explication of logic and reasoning
Fair—moderate explication of logic and reasoning
Adequate—passable explication of logic and reasoning
Oops—very little explication of logic and reasoning

2. *Quantity of Content*

- A. Thoroughness of coverage of class topics

Excellent—very substantial entries for each class
Very good—entries frequent and substantial
Fair—entries moderately regular and substantial
Adequate—entries passably frequent and substantial
Oops—inadequate number; insubstantial entries

- B. Thoroughness of coverage of outside readings

Excellent—very substantial entries of many outside readings
Very good—substantial entries of numerous outside readings
Fair—moderately substantial entries of several outside readings
Adequate—passably substantial entries of few outside readings
Oops—no entries devoted to outside readings