

הפקולטה לניהול
אוניברסיטת תל-אביב



Tel Aviv University
School of Management



Sofaer
International
MBA

1238.2415.01 – Business Ethics

Module 4 – 2015/16

Course Section Details

Day	Hour	Classroom	Lecturer	Email	Telephone	Office
Thursday*	9:30-12:15	Dan David room 303	Dr. Julia Shamir	juliashamir@gmail.com	050-5369666	428

*Please note that sessions 2 & 3 will take place on Mondays, April 18 and May 2, at 12:45 – 3:30, respectively.

Teaching Assistant (TA): Hemi Rotenberg, hemi050@gmail.com

Office Hours: By appointment

Course Units

Course Units: 1 cu

4 ECTS (European Credit Transfer and Accumulation System) = 1 course unit

By making higher education comparable across Europe, ECTS makes teaching and learning in higher education more transparent and facilitates the recognition of all studies.

Course Description

With innovation and leadership comes responsibility. This course explores the numerous ethical issues faced by managers and organizations, and provides analytical frameworks as well as the latest findings on human behavior to inform ethical decisions and strategies. Ethics is an ongoing conversation about human interrelationships, therefore ethics is a substantial part of management as finance, accounting and organizational behavior. Readings involve controversial case studies, insights from experimental psychology and economics, and a brief introduction to some relevant philosophy. Through class exercises, rigorous discussion, and directed personal reflection, you will clarify your own ethical stance, think through ethical dilemmas, practice articulating recommendations compellingly, discover the diversity of ethical viewpoints, and find out how to avoid the social and cognitive pitfalls that come in the way of ethical leadership.

Course Objectives

1. To develop students' ability to recognize ethical issues in business;
2. To increase students' sensitivity to the prevalence and complexity of ethical dimensions in everyday managerial decision-making;
3. To familiarize students with a diverse set of descriptive and prescriptive frameworks that facilitate the analysis and resolution of ethical situations;
4. To provide a safe space to explore students' ethical convictions;
5. To expose students to a diversity of ethical viewpoints, from authors and fellow students, to recognize their good-faith value, and to hone students' skills at engaging them with respect and understanding.

Assessment and Grade Distribution

Percentage	Assignment	Date	Group Size/Comments
5%	Active participation	Throughout the course	Individual
15%	First Written Assignment	19/5/2016	Groups of 3-4
15%	Second Written Assignment	9/6/2015	Groups of 3-4
65%	Final Exam	24/6/2015	Individual

This class relies on active yet judicious participation by students. The students have an extraordinary opportunity to discuss the role of ethics in business in a safe environment with their peers. The goal is that everyone will get to contribute to the discussion (and get a good participation grade). Above-average participation grades will denote consistent, timely and astute observations, answers, or comments, which clearly elevate everyone's learning experience. Below-average participation grades will denote either lack of participation or excessive/disruptive comments that prevent others from getting the most of the class. Note that your participation grade will also be affected if you miss any class session(s), unless justified (such as in case of reserve duty).

*According to University regulations, a student must be present in every lesson (Article 5).

* The lecturer reserves the right to have a student removed from a course if the student is absent from a class with mandatory participation or did not actively participate in class. (The student will remain financially responsible for the course irrespective of his/her removal from the course)

Course Assignments

Students are required to submit two written assignments.

Should a student become unable to complete an assignment or course requirement, s/he must notify the TA of the course in advance via email

Grading Policy

As of the 2008/9 academic year the Faculty has implemented a grading policy for all graduate level courses.

This policy applies to all graduate courses in the Faculty, and will be reflected in the final course grade.

Accordingly, the final average of the class for this course (which is a core course) will fall between 78-82%.

Additional information regarding this policy can be found on the Faculty website.

Evaluation of the Course by Student

Following completion of the course students will participate in a teaching survey in order to evaluate the instructor and the course for the benefit of the students and the university.

Course Site (Moodle)

The course site will be the primary tool used to communicate messages and material to students. It is, therefore recommended to periodically check the course site in general, periodically, before each lesson, at end of the course as well. (For example: exam details and updates regarding assignments) Course slides will be available on the course site.

Please note that topics which are not covered in the slides, but are discussed in class are considered an integral part of the course material and may be tested in examinations.

Course Outline*

Week	Date	Topic(s)	Required Reading	Submission	Comments
1	April 14	<p><u>Doing Well by Doing Good? Corporate Social Responsibility and the Limits of Markets</u></p> <p>Is there even really a need for thinking about ethics in business? What do entrepreneurship and innovation have to do with ethics?</p> <p>On the one hand, some feel very strongly that ethics are underappreciated in business education. On the other, economists like Milton Friedman argue that for managers to consider ethics is misguided and maybe inappropriate. In the case of California Space Heaters, we will discuss the value and costs of Corporate Social Responsibility (CSR), and the limits of markets and regulations to induce ethical</p>	<ul style="list-style-type: none"> • Friedman, <u>The Social Responsibility of Business is to Increase its Profits</u> • Case <u>California Space Heaters</u> (Baron pp. 407-409) 		<p><u>Preparation guidelines</u></p> <ol style="list-style-type: none"> 1. What do you think is the main motivation for corporate social responsibility? 2. How can market incentives promote ethical business practices? 3. Is Friedman's argument a license for unbridled self-interest? 4. In the California Space Heaters case, what product design choices would you make? What motives drive your decisions? 5. Relate your product design choices to definitions of corporate social responsibility,

		<p>behavior. We will also explore the ability of incentives to both encourage and discourage ethical business practices.</p> <p><i>Important concepts: self-interest, corporate social responsibility, incentives.</i></p>			including Milton Friedman's version.
2	<p>April 18 (Mon, 12:45-15:30)</p>	<p><u>Moral Intuitions: Gut Feelings, Public Outcry, and Eating Your Dog</u></p> <p>Some say that a scandal is an integral part of any innovation, as it pushes the communities to the frontier of their experience and comfort zone. Oftentimes businesses that steer innovations must handle the aftermath of their ground-breaking technologies. Using the case of <u>Advanced Technology Laboratories</u> we will examine the psychological constraints that decision-makers need to understand in order to make informed decisions about ethics in organizations. A first safeguard against self-interest is that we seem to have strong notions of right and wrong. An emerging view in behavioral sciences suggests that moral intuitions are in fact both a foundation of and a boundary for ethical reasoning. Indeed, more often than we like to think, moral judgment seems based on immediate affective reactions rather than on thoughtful deliberation. In turn, these strong intuitions can bias what seem to be rational accounts. In later sessions, we will show how these intuitions can serve to build and motivate sophisticated normative theories in the philosophical tradition. We need first to understand how (un)ethical reasoning actually happens before we can prescribe how managers should reason about</p>	<ul style="list-style-type: none"> • Sunstein, <u>Moral Heuristics</u> • Case: <u>Advanced Technology Laboratories, Inc.</u> (Baron pp. 517-518) 		<p><u>Preparation guidelines</u></p> <ol style="list-style-type: none"> 1. What is your gut reaction to the ATL case and how ultrasound technology is being used in developing countries? Can you identify some of the emotions likely to be evoked (in you or in others) by this case? 2. How do you think the media will react to ATL's devices being used for sex selection? What about ATL's employees? What about consumers of ATL's products in developed nations? 3. Bringing Sunstein's paper and the ATL case together, describe what moral heuristics might be at the root of some of the positions in the case, or of some of the reactions that you would anticipate. If you cannot use any of the heuristics proposed by Sunstein, please suggest a new one that you think might apply in this case. 4. Imagine that you are the CEO of ATL. You just received word that the New York Times is going to run a front-page story on the use of ATL's

		ethics. Important concepts: <i>moral heuristics, system 1/system 2, moral intuitions (intuitionism), post-hoc accounts, taboo trade-offs</i>			ultrasound devices for sex selection in India, and you decide to write an email to the employees. What would you emphasize in that email?
3	May 2 (Mon, 12:45-15:30)	<p><u>Self-Deception and Rationalization: Can You Trust Your Moral Compass?</u></p> <p>The first part of this session looks at aspects of human psychology that can bias decision-makers' ethical reasoning and affect their ethical behavior. Research suggests that individuals with perfectly good intentions can commit unethical acts while convincing themselves that they are being ethical. These biases help us retain a positive view of ourselves and a coherent cognitive structure. It is important to know about these biases in order to detect them in ourselves and in others, and to design structures and organizations that facilitate ethical behavior, given these constraints. While these processes are often useful, they can warp our ethical thinking in critical ways.</p> <p><i>Important concepts: self-defensive biases, cognitive resources, cognitive dissonance</i></p> <p><u>The Power of the Situation: Corporate Culture, Reputation, and Construal</u></p> <p>In this part of the session, we discuss the social factors that affect ethical behavior and moral judgment. Decades of psychological research have shown that human beings are powerfully affected by situational factors, and that an individual's ethical or unethical</p>	<ul style="list-style-type: none"> • <u>Benoît Monin and Michael I. Norton</u>, "Perceptions of a Fluid Consensus: Uniqueness Bias, False Consensus, False Polarization, and Pluralistic Ignorance in a Water Conservation Crisis," <i>Personality & Social Psychology Bulletin</i> 29, no. 5 (May 2003): 559–567 • <u>Case: Goldman and Dragon Systems</u>, using the article "Goldman Sachs and the \$580 Million Black Hole," <i>NYT</i> 14/7/2012 		<p><u>Preparation guidelines</u></p> <ol style="list-style-type: none"> 1. Bazerman et al. write that "often we can't tell whether an error in auditing is due to bias or corruption." Is there a significant moral distinction between these two possibilities? 2. How do you think Bazerman's accountants feel at the end of the day? What is the value of such feelings in the broader picture of ethical reasoning that is emerging in this course? 3. In class we will watch a video from the HealthSouth case. Be prepared to apply to this case Bazerman et al.'s concepts of ambiguity, attachment, approval, familiarity, discounting, and escalation.

		<p>behavior is as likely to be a product of his or her social environment as of his or her personal moral reasoning. We will discuss the power of obedience to authority and conformity to social norms and corporate culture. Furthermore, because what individuals perceive to be the ethical norm often carries more weight than what others might actually think, we will also cast light on systematic biases in the estimation of social norms, and of what others do or think.</p> <p><i>Important concepts: situationism, obedience, conformity, false consensus effect, pluralistic ignorance</i></p>			
4	May 19	<p><u>Utilitarianism: A Focus on Consequences</u></p> <p>The next three sessions focus on philosophical frameworks for analyzing normative questions about business. We begin with the theory of utilitarianism, which has a rich tradition. Utilitarianism is implicitly the basis for practical ethical reasoning in public policy analysis in governmental settings, in optimization problems in business settings, and, more generally, in any setting in which practitioners attempt to maximize the well-being of some specified collection of people. This session explores the strengths and weaknesses of the utilitarian framework.</p> <p><i>Important concepts: utility maximization, aggregate social welfare, act utilitarianism, rule utilitarianism</i></p>	<ul style="list-style-type: none"> • <u>Utilitarianism</u>, Baron, D. P., BUSINESS AND ITS ENVIRONMENT, 7th ed. (2013), (pp. 594-612) • Case: <u>Nike in Southeast Asia</u> 	First Written Assignment due	<p><u>Preparation guidelines</u></p> <ol style="list-style-type: none"> 1. What is the role of motives in utilitarianism? 2. What is the distinction between act and rule utilitarianism?
5	June 2	<p><u>Duties and Rights: A Matter of Principle</u></p> <p>A sharp distinction is often drawn between <i>consequentialist</i></p>	<ul style="list-style-type: none"> • <u>Duty/Rights</u>, Baron, D. P., BUSINESS AND ITS ENVIRONMENT 		<p><u>Preparation guidelines</u></p> <ol style="list-style-type: none"> 1. Is the categorical imperative similar to “love thy friend as thyself”?

		<p>ethics (such as utilitarianism) and <i>deontological</i> ethics (such as Kantian’s emphasis on duties and rights). We will build on our discussion from last session on the strengths and weaknesses of utilitarianism by comparing and contrasting utilitarianism with the Kantian concepts of rights and duty. In this view consequences are less important, and motives, reason, and guiding principle are central to determining if a decision is morally right.</p> <p>Important concepts: <i>duty, the categorical imperative, universalizability</i></p>	<p>T, 7th ed. (2013), pp., (pp. 622-632)</p> <ul style="list-style-type: none"> • Case: GlaxoSmithKline and the Restless Legs Syndrome 		<p>Why/why not?</p> <p>2. Evaluate the ethical grounds of GSK actions from the perspective of utilitarianism and from the perspective of Kant’s philosophy. What issues would be particularly salient to them in deciding whether GSK acted ethically? Which standpoint would be more useful for you to persuade people in the morality of GSK actions?</p> <p>3. GSK’s marketing of Requip has caused a backlash among consumer groups that accuse it of “disease mongering.” From Kant’s perspective, how should GSK factor reputational concerns into its decisions about how to market Requip? Is it different from utilitarianism and if so – how?</p>
6	June 9	<p><u>Justice: What Is a Fair Distribution?</u></p> <p>Beyond the issue of consequences and rights is the issue of justice. What is a fair distribution? Is it acceptable to have massive disparities in outcomes, even if everyone benefits on the whole? How would you quantify this, and what are the limits of this claim? John Rawls’ theory of justice offers a compelling (if fairly theoretical) model for determining a fair system. We will conduct a class exercise to illustrate some behavioral regularities about fairness, and discuss the issue of fairness in</p>	<ul style="list-style-type: none"> • <u>Justice</u>, Baron, D. P., BUSINESS AND ITS ENVIRONMENT, 7th ed. (2013), pp. 638-648 • Case: Banco Compartamos 	Second Written Assignment due	<p><u>Preparation guidelines</u></p> <p>1. Apply the difference principle to Banco Compartamos. Are its financial arrangements fair by this standard? What would a critic of Banco Compartamos say?</p> <p>2. What are the motives of critics of Banco Compartamos? Is there a legitimate moral basis for the claim that “they are making obscene profits off of poor people?” If so, in what ethical theory is the claim grounded? If</p>

		<p>the controversial case of a financial institution specializing in microcredit.</p> <p>Important concepts: <i>distributive justice, veil of ignorance, difference principle</i></p>			<p>not, what really accounts for their concern?</p> <p>3. What should Banco Compartamos do about the uproar? Construct a plan of action in which ethics plays a strategic role. Your plan should use one of the three normative frameworks: utilitarianism, duty, or justice.</p>
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*Subject to change, based on a course in Business Ethics taught at the GSB at Stanford University.

Required Reading

- Friedman, The Social Responsibility of Business is to Increase Profit
- Case: California Space Heaters (Baron, D. P., BUSINESS AND ITS ENVIRONMENT, 7th ed. (2013), pp. 407-409)
- Cass R. Sunstein, Moral Heuristics
- Case: Advanced Technology Laboratories, Inc.(Baron, D. P., BUSINESS AND ITS ENVIRONMENT, 7th ed. (2013), pp. 517-518)
- Benoît Monin and Michael I. Norton, "Perceptions of a Fluid Consensus: Uniqueness Bias, False Consensus, False Polarization, and Pluralistic Ignorance in a Water Conservation Crisis," *Personality & Social Psychology Bulletin* 29, no. 5 (May 2003): 559–567
- Case: Goldman and Dragon Systems, using the article "Goldman Sachs and the \$580 Million Black Hole," NYT 14/7/2012
- Utilitarianism, Baron, D. P., BUSINESS AND ITS ENVIRONMENT, 7th ed. (2013), (pp. 594-612)
- Case: Nike in Southeast Asia
- Duty/Rights, Baron, D. P., BUSINESS AND ITS ENVIRONMENT, 7th ed. (2013), pp., (pp. 622-632)
- Case: GlaxoSmithKline and the Restless Legs Syndrome, GSB Case P69
- Justice, Baron, D. P., BUSINESS AND ITS ENVIRONMENT, 7th ed. (2013), (pp. 638-648)
- Case: Banco Compartamos, GSB Case

Recommended Reading

- Haidt, J., The Emotional Dog and its Rational Tail: A Social Intuitionist Approach to Moral Judgment. *Psychological Review* 2001, Vol. 108, 814-834
- Max H. Bazerman, George Loewenstein, and Don A. Moore, Why Good Accountants Do Bad Audits
- Benoit Monin and Dale T. Miller, Moral Credentials and the Expression of Prejudice, *Journal of Personality and Social Psychology* 2001, Vol. 81, No. 1, 33-43