

Social Responsibilities of Business (SRB) - STRT 282¹

Georgetown University, McDonough School of Business

Spring 2019

MW 12:30-1:45pm

Hariri 360

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While the old joke is that business ethics is an oxymoron, the truth is that the most serious ethical decisions most people make in their lives relate in some way or another to business, either as entrepreneurs, managers, employees, consumers, and so on. Because of this, business raises moral questions that deserve our critical attention. To that end, we will look at four different ethical issues raised by business:

Business's Place in Society: What is value of business and market activity? Do businesses have special obligations? To whom are businesses responsible?

Doing the right thing: Why do normal people do bad things? How do we design institutions that promote ethical behavior?

Commodities and Commodification: Are there moral limits to what can be bought and sold? Is it wrong for business to engage in price gouging?

Employees: What ethical standards guide hiring and firing? Is it wrongful exploitation to hire workers to work in "sweatshop" conditions? Is the high executive compensation we see in America ethically dubious?

We will look at scholarly literature as well as real world cases to get a grip on these issues.

The syllabus describes (1) course objectives, (2) course materials, (3) grades and assignments, (4) rules and requirements (including important dates), (5) a course schedule, and (6) a description of the major assignment in this course, "The Business Project."

¹ Updated: January 7, 2019.

1. Course Objectives

- Sharpen analytical thinking, presentation, and debating skills.
- Learn basic issues and theory in business ethics.
- Practice critical thinking through case studies and moral dilemmas.
- Understand why people do bad things, and how institutional design can protect against wrongdoing.
- Confront moral questions about the good life, ethical ideals, conflicts between self-interest and morality, and justice.
- Reflect on personal values and goals.

2. Course Materials

I do not require you to purchase any books for this course. Readings will be available on Canvas or online.

3. Assignments and Grading

MSB policy requires courses to be curved to a 3.3/4.0. This course is no exception. I will try my best to curve grades as we go to give you a sense of how you are doing.

The following components will make up your grade in this course:

1. Participation: 10%
2. Group: Critique of Competitor: 10%
3. Group: Business Plan/CSR: 15%
4. Group: Dilemma Response: 15%
5. In-Class Midterm: 20%
6. Final Paper: 30%

The relatively largest share of your grade will be determined by a project completed as a member of a small group (~4 students): “The Business Project.” The Business Project is explained in more detail at the end of this syllabus under section 6.

Participation:

You are expected to come to each class having prepared to discuss the readings. If you are unable to attend class, let me know ahead of time. Class time will involve a mix of lectures, discussions, group work, and the occasional game. The best participators will move the conversation forward. You can do this by:

- Demonstrating familiarity with the advanced preparation materials;
- Offering original and thoughtful ideas and perspectives;
- Connecting with ideas from other classes or something in the news;
- Sharing relevant experiences;

- Posing good questions; and
- Taking stands and defend them with references to readings and experiences.

Good participation *does not* involve repeating what others have said nor rambling on unimportant and irrelevant matters.

On Group Work:

My baseline assumption is that everyone in a group contributed his or her fair share. Based on this assumption, I will give each group member the group grade. However, this is a baseline, not an ironclad rule. At the end of the semester, I will ask you to assess each member of your group, including yourself. These assessments will be confidential. These assessments allow you to inform me whether someone did not contribute properly or if anyone went above and beyond. I will use this input in determining individual grades. It is best if you resolve any problems in your group without my intervention.

In-Class Midterm Exam:

There will be an in-class midterm on March 13. The purpose of this midterm examination is to evaluate your understanding of the material from the first half of the course. I will provide more details as we get closer to examination.

Final Paper:

There will be a 1500-word final paper where you will advance your own argument regarding the material we have discussed in the course. I will provide prompts and more details when we get closer to the end of the semester. The paper will be due May 10.

4. Rules and Requirements

Academic Freedom and Respect:

As noted, we will be talking about controversial issues in this course. I expect students to disagree with each other, as well as with me. What is important in this course is that you provide your *reasons* for disagreement. *Why* do you believe what you believe? To that end, it is important to have an open, civil environment to explore and express a variety of positions. The point is to learn something from one another, not to “win.” This requires each of us to engage respectfully with one another, *especially* when we disagree.

Electronic Devices:

I do not allow the use of electronic devices. They are distracting to you, the people around you, and to me. If you believe you have a good reason to use an electronic device, come talk to me.

Academic Integrity:

Academic dishonesty will not be tolerated. You are responsible for knowing and following the honor code and all rules of academic integrity. As a faculty member, I am obligated to report violations of the honor code. Any students found guilty of violating the honor code will fail the course in addition to whatever other sanctions the Honor Council issues. Information about the Honor Code is found here:

<https://scs.georgetown.edu/resources-current-students/academic-resources/honor-code/>

Important Dates:

Spring Semester Begins – January 9

Groups Formed – January 22

Group Presentations: Critique of Competitor – February 11 & 13

In-Class Midterm Exam – March 13

Group Presentations: Business Plan/CSR Statement – April 1 & 3

Group Presentations: Dilemma Response – April 24 & 29

Final Paper Due – May 10

5. Course Schedule

All readings available on Canvas.

Introduction: Ethical Thinking

January 9 – Introduction

No readings

January 14 – Cultural Relativism

Thomas Donaldson, “Values in Tension: Ethics Away from Home”

Part I – The Market and Business

January 16 – Why Trade

No reading (in-class activity)

January 21 – Dr. Martin Luther King, Jr. Day

No class

January 22, 5pm – Business Project Groups Formed on Canvas

January 23 – Why the Market

Adam Smith, “Of the Division of Labor”

F. A. Hayek, “The Use of Knowledge in Society”

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January 28 - Why the Firm

R. H. Coase, "The Nature of the Firm"

February 4 - Shareholder Theory

Milton Friedman, "The Social Responsibility of Business Is to Increase Its Profits"

February 6 - Stakeholder Theory

William Evan and Edward Freeman, "A Stakeholder Theory of the Modern Corporation: Kantian Capitalism"

February 11 & 13 - Group Presentations: Critique of Competitor

February 18 - President's Day

No class - but February 19 follows Monday schedule

February 19 - Business Ethics as Adversarial Ethics

Joseph Heath, "An Adversarial Ethics for Business: or, When Sun Tzu Met the Stakeholder"

February 20 - Rent Seeking

Michael DeBow, "The Ethics of Rent Seeking"

Part II - Doing the Right Thing

February 25 - Leadership in Crisis

No reading (in-class activity)

February 27 - Individual Psychology and Moral Motivation

Joseph Heath, "Business Ethics and Moral Motivation: A Criminological Perspective"
Andris Zoltners et al. "Wells Fargo and the Slippery Slope of Sales Incentives"

SPRING BREAK: MARCH 2-10

March 11 - Institutions and Ethics

Robert Jackall, "Moral Mazes"

Nicholas Epley and David Tannenbaum, "Ethics as a Design Problem"

March 13 - In-Class Midterm

Part III - Commodities and Commodification

March 18 - Commodification

Elizabeth Anderson, "Is Women's Labor a Commodity?"

March 20 - Semiotics

Jason Brennan and Peter Jaworski, "Markets without Symbolic Limits"

March 25 - Kidney Markets

Frank McCormick et al. "The Terrible Toll of the Kidney Shortage"

Debra Satz, "The Moral Limits of Markets: The Case of Human Kidneys"

March 28 - Price Gouging

Matt Zwolinski, "The Ethics of Price Gouging"

April 1 & 3 - Group Presentations: Business Plan/CSR

Part IV - Employees

April 8 - At Will Employment

Richard Epstein, "In Defense of Contract at Will"

April 8, evening - Dilemmas Released

April 10 - Sweatshops

Matt Zwolinski, "Sweatshops, Choice, and Exploitation"

April 15 - Executive Compensation

Jeffrey Moriarty, "How Much Compensation Can CEOs Permissibly Accept?"

April 17 - Whistleblowing

Emanuela Ceva and Michele Bocchiola, "Personal Trust, Public Accountability, and the Justification of Whistleblowing"

April 18 - 22: Easter Break

April 24 & 29 - Group Presentations: Dilemma Response

*** FINAL PAPER DUE MAY 10***

6. The Business Project

We will use “The Business Project” as our way of grappling with some of the ethical issues in Business Ethics. The project will have several stages, with each stage corresponding with a unit in our class. Each stage of the project will require an in-class presentation by each of the groups.

The breakdown of the assignments (each of these are individual assignments, completed over the course of the class):

1. Critique of a Competitor
2. Company Overview/CSR Statement
3. The Dilemma

In the first few weeks of the course, your job is to form a team with four classmates and to come up with an idea for a business. Once you have identified your team, go to Canvas and click on People > Groups and then “+Group” to register your team on our course site (choose “Membership by Invitation Only,” which will make it a private group). **By January 22nd, 5pm** you should have formed your team and identified yourselves on Canvas. Although the first presentation does not take place until mid-February, you should be thinking about and working on your business idea as soon as possible.

STAGE 1: ASSESSMENT AND CRITIQUE OF A COMPETITOR (Business Model, CSR, Advertising, and/or Employment Contract).

Your group will assess the moral standing of the business model, CSR statement, advertising and/or employment contract of a competitor. This should be an actual company that has substantial consumer base overlap with your own. You should find a case where you believe the competitor has acted in a way that is ethically problematic. For example, you might find a competitor that you believe has a responsibility to pay a higher wage than it does. Or you might find a company that you believe has social responsibilities it fails to meet (either failing to state this in its CSR, or failing with respect to what is stated in its CSR).

Your group will present its assessment to the class, who will function as MEMBERS OF THE MEDIA. Your goal is to convince them that they should report on the ethical shortcomings of your competitor.

You will be evaluated on the following criteria:

- How creative and original is your criticism? Is it old news, or does it bring to light something we may not have thought about before?

- How clearly laid out is your critique? Are you clear in your presentation of the relevant facts and reasons to disapprove of your competitor's actions?
- How effective is your critique? Is your argument sound? Does it show a consideration of possible objections?
- How persuasive is your critique? Did you manage to convince people that you were right about your competitor.

At the end of your slide deck, please have a bibliography that includes all the sources you use.

Presentation length: 10-minute presentation, followed by 5 minute Q&A.

STAGE 2: COMPANY OVERVIEW/CSR STATEMENT

In your groups, please come up with your own company, using the Business Model Canvas (it will be up on Canvas) as your guide.

You will be assessed on the basis of how well thought-out your business model is, how creative you are in constructing a model, and your ability to think through what potential customers might want.

In addition, you will also construct a one-page, single-spaced statement of Corporate Social Responsibility (CSR). Your statement should address the particular qualities of your company, and the particular ethical issues that might arise given what your company does. Regardless of whether you present on April 1st or April 3rd, please turn in your CSR statement via e-mail by the beginning of class on April 1st.

Your group will present your business plan to the class. The class will function as POTENTIAL INVESTORS in your company. Your job is to persuade them that they should invest in your company, rather than in the other companies that your fellow classmates will construct.

You should also assess any potential moral and legal problems that a business like yours may run into. Keep in mind that some business models are more prone to problems than others. I will exploit these vulnerabilities later in constructing your dilemma.

You will be evaluated on the following criteria:

- How well thought out your business plan is. Does it show an awareness of the relevant concerns? Does it do a good job of identifying what customers want?
- How does it do relative to competitors? A dollar spent on your business is a dollar not spent on another.

- Does your CSR present a clear statement of your company's values and principles? Does it avoid vagaries?
- This first step matters – past decisions bind future ones. Are you looking ahead to potential crises?

At the end of your slide deck, please have a bibliography that includes all the sources you use.

Presentation length: 10-minute presentation, followed by 5 minute Q&A.

STAGE 3: THE DILEMMA

In your groups, you will have to make a tough decision. I will construct a dilemma specific to each of your companies following from your business design and CSR statement. You will be forced to either sacrifice your principles captured in your CSR, profitability and your shareholders.

The class will be composed of your SHAREHOLDERS. Your mission is to persuade the shareholders that you are doing what is, all things considered, best.

In your presentation, you will explain the dilemma, how you attempt to solve it, and defend your solution on either moral or strategic grounds.

You will be evaluated on the following criteria:

- How well did you describe the problem facing your company? Did you justify your understanding of the prompt?
- How well did you justify for your choice? What sorts of reasons did you mobilize in favor of your decision?
- How persuasive is your choice? Did you manage to convince people that you were right about your decision-making?

Presentation length: 10-minute presentation, followed by 5 minute Q&A.