



Principled Leadership: Ethics and Corporate Social Responsibility

University of Basel

Faculty of Business & Economics

Summer School in Law, Economics & Economic Policy

Instructor	Chris Rider	Term	Summer 2018
Classroom	TBA	Dates	June 25-29; July 2-3
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INSTRUCTOR

[Chris Rider](#) is the Akkaway Term Associate Professor of Entrepreneurship at Georgetown University's McDonough School of Business. He has taught strategic leadership courses for Georgetown, Emory University's Goizueta Business School, the University of Chicago's Booth School of Business, and the University of California, Berkeley's Haas School of Business. He is a Senior Editor for *Organization Science*, an Associate Editor for *Management Science*, and a Faculty Fellow of the E. M. Kauffman Foundation.

OVERVIEW

This course prepares students to lead ethical and responsible organizations that are congruent with their personal values. We draw extensively upon social science theory and empirical evidence in two related modules that examine leadership issues through the lenses of (1) ethics and (2) corporate social responsibility..

LEARNING OBJECTIVES

Students develop personal leadership principles of ethicality and responsibility by addressing the following questions:

- What are *your values* and *ethical principles* and how will these inform your leadership and management styles?
- What *causes* unethical individual and organizational behaviors?
- What can leaders do to *encourage* ethical conduct and *discourage* unethical conduct?
- What *obligations* do organizational leaders have to their co-workers, employees, customers, suppliers, and investors? To society more broadly?



MATERIALS

Course materials are available in a coursepack that can be purchased directly from Harvard Business School Publishing [here](#). Additional materials will be shared via a Google Drive folder [here](#) or otherwise distributed in class. Session slides will be posted to Google Drive *after* each session.

COURSE STRUCTURE

Course sessions include presentations, exercises, and discussions. Presentations elaborate the theoretical foundations, exercises provide first-hand insights, and discussions apply principles of strategic management to real-world situations. Graded course assignments allow for practical applications of course content. Clear instructions for the assignments below will be distributed in class and via email.

This course is structured as two modules that coincide with the two weeks of the course. The modules are summarized below.

Module 1: Leading Ethical Organizations

This module addresses both individual and organizational causes and consequences of unethical behavior. We also discuss how participants and observers interpret these behaviors through different ethical lenses.

Social science theory, and empirical evidence from experimental and observational studies, inform our consideration of how individuals justify unethical behavior. We consider how leaders can shape organizational contexts in ways that discourage unethical behavior and encourage ethical behavior.

By the end of the module, students will appreciate how what is and is not considered ethical varies across both individuals and organizations. Students will thus be prepared to lead organizations in accordance with their ethical principles.

Module 2: Leading Socially Responsible Organizations

This module addresses why and how corporate social responsibility (CSR) matters for global companies. We discuss diverse perspectives on the social responsibilities of the modern corporation.

Theory and evidence jointly inform our understanding of how a company can be viewed both favorably and unfavorably by different groups (e.g., investors, employees, customers, suppliers, regulators). We apply the shared value creation framework to identify how these groups' concerns influence corporate costs, market prices, and customer willingness to pay.

By the end of the module, students will appreciate how corporate social responsibility can be a source of competitive advantage in markets and industries. Students will accordingly be prepared to create and capture greater economic value for their organizations by attending to CSR considerations.



EXPECTATIONS

This course will be most valuable (and enjoyable) if all students engage the content and participate in a productive manner. To contribute to a productive learning environment, students are expected to meet the following expectations:

1. Attend all classes.
2. Prepare for every class.
3. Pay attention. Listen. Contribute.
4. Participate regularly throughout the course.
5. Carefully consider your position and state it clearly.
6. Apply course concepts to frame and support your position.
7. Treat all classmates and their opinions with respect.
8. Display your name card in each class.
9. Use electronic devices only for taking notes during class.
10. Switch phones to silent mode during class.
11. Complete all assignments and exams.
12. Abide by the MSB Honor Code of Academic Integrity (see Appendix #1).

ASSIGNMENTS

Students will complete several course assignments and one exam.

- (1) Case Analysis: Individual students will read a business case and provide written analysis prior to our in-class discussion of the case. Details below.
- (2) Personal Reflection and Action Plan: Students will develop a two-part memo not to exceed three (3) double-spaced pages. The first part utilizes course content as a framework for reflecting upon one's principles for ethical leadership. The second part develops an action plan for achieving career objectives in a way consistent with those principles.
- (3) Final Exam: The take-home final exam will require individual students to analyze a principled leadership case using course concepts.

IMPORTANT DATES

Please refer to the SUMMARY COURSE SCHEDULE and DETAILED COURSE SCHEDULE sections for full information on each session. Below is a summary of important dates and deadlines.

June 26	Individual Case Analysis due prior to Session #2.
July 2	Personal Reflection and Action Plan due prior to Session #6.
July 3	Take-home Final Exam distributed after last class session.
July 10	Final Exam must be submitted to instructor.



CLASS PARTICIPATION

Participation quality matters much more than quantity. You need not speak often; you need speak thoughtfully. Carefully considered arguments based on facts that support your position are good; even better is specific identification of what it would take to change your position (e.g., alternative assumptions, changes in facts). Structured comments that move discussions forward are preferred to repeating previous points, stating the obvious, tangential points, etc.

To meet the class participation expectations, students must also complete brief surveys in between class sessions. The results of these surveys will form the basis for in-class discussions.

GRADING

Final course grades will follow the distribution specified by the University of Basel Summer School in Law, Economics & Economic Policy grade policy. This equitable distribution ensures academic rigor and enables candid feedback to students regarding their academic performance. Grades are based on individual *and* group components.

- 10% class participation (CP)
- 20% case analysis (CA)
- 30% personal reflection and action plan (PRAP)
- 40% final exam (FE)

Each component score (e.g., CP, CA, PRAP, and FE) will be calculated as follows:

1. First, the raw score is standardized by subtracting the class mean on each component and then dividing the difference by the standard deviation on each component. For example, if the mean Case Analysis grade is 11.0 of 15 and the standard deviation is 2.0 then a student that received a grade of 14 of 15 would receive a CA score of $1.5 = [(14-11)/2.0]$.
2. Second, each standardized component score is then weighted and the products summed to produce a Final Score. The calculation is as follows:

$$\text{FINAL SCORE} = 0.10*(CP) + 0.20*(CA) + 0.30*(PRAP) + 0.40*(FE)$$

Standardizing scores in this way incorporates the expectation that performance will inevitably vary more on some graded course assignments than others.

There is no predetermined relationship between these numeric scores and final course grades. Numeric scores will be converted to grades by ranking all Final Scores and assigning Course Grades according to the University of Basel Summer School in Law, Economics & Economic Policy grade policy.



SUMMARY COURSE SCHEDULE

**Note: All course materials are included in the HBSP coursepack, posted to the Google Drive, or otherwise distributed by the instructor.
Click hyperlinks in Detailed Course Schedule to navigate directly to the source.*

DATE	SESSION	TIME	TOPIC	READINGS	CASES	DELIVERABLES
June 25	1	9:00 – 12:00	Introduction: What is ethical?	A note on deontology. Consequentialism. A note on relativism. Ethics: A basic framework.	None.	None.
June 26	2	9:00 – 12:00	Unethical Individual Behavior	A note on moral disengagement. Why ethical people make unethical choices?	Chris and Alison Weston (A).	None.
June 27	3	9:00 – 12:00	Unethical Organizational Behavior	Ethical breakdowns. Becoming a first-class noticer. Is your company as ethical as it seems?	Hoaxwagen.	Case Analysis due.
June 28	4	9:00 – 12:00	Leading with an Ethical Vision	A framework for ethical reasoning. Making ethics personal. The new CEO activists.	PayPal.	None.
June 29	5	9:00 – 12:00	Entrepreneurship & Ethical Imprints	The ethical challenges facing entrepreneurs. Organizational blueprints for success in high-tech start-ups.	Patagonia.	None.
July 2	6	14:00 – 16:30	Corporate Social Responsibility	The social responsibility of business is to increase its profit. Corporate social responsibility: Whether or how?	Turing Pharmaceuticals.	Personal Reflection and Action Plan due.
July 3	7	14:00 – 16:30	Creating Shared Value	Creating shared value. Beyond the 'Win-Win'.	Nestle.	Final Exam distributed.



DETAILED COURSE SCHEDULE

SESSION #1

HBSP: Harvard Business School Publishing Coursepack; **GD:** Google Drive; **URL:** Click for online access

June 25 Introduction.

Summary This session provides an overview of the course as well as an introduction to several ethical theories. We develop a basic framework for analyzing ethical situations and being to develop personal leadership principles.

Articles **GD** [Syllabus](#)
HBSP "[A note on deontology.](#)" Darden Business Publishing.
URL "[Consequentialism.](#)" Stanford Encyclopedia of Philosophy.
HBSP "[A note on relativism.](#)" Darden Business Publishing.
HBSP "[Ethics: A basic framework.](#)" Harvard Business School.

Cases None.

Prep Questions

1. What is the key difference between deontological ethics and consequential ethics?
2. Can one appreciate the relevance of social context without being a moral relativist?
3. Is the proposed framework useful to you as a future organizational leader?
4. Review the standards in Exhibit 2. Which of these standards approach universal compliance? Which are regularly violated?
- 5.

Deliverables None



DETAILED COURSE SCHEDULE

SESSION #2

HBSP: Harvard Business School Publishing Coursepack; **GD:** Google Drive; **URL:** Click for online access

June 26 Unethical Individual Behavior.

Summary This session covers the determinants of unethical behavior of otherwise seemingly ethical individuals. The Weston case illustrates how individuals justify behavior that they would consider to be unethical if and when others behaved similarly.

Articles **HBSP** Sucher, S. J. and C. Moore. (2012). "[A note on moral disengagement.](#)"
HBSP Carucci, R. (2016). "[Why ethical people make unethical choices?](#)" *Harvard Business Review*. December.

Cases **HBSP** [Chris and Alison Weston \(A\)](#).

Prep Questions 1. Are the Westons ethical or unethical? Why?
2. How did the Westons end up in this situation?
3. Can you identify a key moment (or moments) when the Westons might have avoided this situation by doing something differently?
4. How might a framework help one avoid such situations during one's career?

Deliverables None



DETAILED COURSE SCHEDULE

SESSION #3

HBSP: Harvard Business School Publishing Coursepack; **GD:** Google Drive; **URL:** Click for online access

June 27 Unethical Organizational Behavior.

Summary This session examines the determinants of unethical behavior in otherwise seemingly ethical organizations. The Volkswagen case frames an illustrative discussion of ethical breakdowns in multinational corporations.

Articles **HBSP** Bazerman, M. H. and A. E. Tenbrunsel (2011). "[Ethical breakdowns.](#)" *Harvard Business Review*. April.
HBSP Bazerman, M. (2014). "[Becoming a first-class noticer.](#)" *Harvard Business Review*. July-August.
HBSP Schipani, C. (2017). "[Is your company as ethical as it seems?](#)" *Harvard Business Review*. March.

Cases **GD** "[Hoaxwagen.](#)" (2016). *Fortune*. March 7th.

Prep Questions 1. Why did VW employees install "defeat devices" on vehicles? Use the details of the Fortune article to identify Volkswagen's "ethical breakdowns" according to the Bazerman & Tenbrunsel article.
2. Who is more to blame for the VW emission scandals: VW executives or VW employees? Why? What principles were violated?
3. What can Volkswagen do in order to prevent future scandals?

Deliverables Individual Case Analysis (CA). Answer all three questions above.



DETAILED COURSE SCHEDULE

SESSION #4

HBSP: Harvard Business School Publishing Coursepack; **GD:** Google Drive; **URL:** Click for online access

June 28 **Leading with an Ethical Vision.**

Summary This session prepares students to develop their personal leadership principles. We use recent examples of CEO activism to demonstrate how leaders can lead organizations in ways that are consistent with their values. We also conduct exercises to help students prepare their “Personal Reflection and Action Plan” assignment. The PayPal case discussion informs us of how such efforts are viewed by various observers.

Articles **HBSP** Sucher, S. J. and N. H. Hsieh. (2011). “[A framework for ethical reasoning.](#)” Harvard Business School Publishing.
HBSP Harris, J. (2015). “[Making ethics personal: Character and your personal vision.](#)” Darden Business Publishing.
HBSP Chatterji, A. K. and M. W. Toffel. (2018). “[The New CEO Activists.](#)” *Harvard Business Review*. January-February.

Cases **URL/GD** PayPal ([announcement](#); [WSJ article](#)).

Prep Questions 1. Compare the Sucher & Hsieh framework to the “basic framework” discussed in Session #1. What are the key differences? Which do you find most useful?
2. How might you improve upon the frameworks we discussed to develop your own?
3. What leadership principles do you believe PayPal CEO Dan Schulman is following?
4. As Schulman prepares to make his decision, what is at stake for PayPal? For the city of Charlotte, North Carolina?

Deliverables None.



DETAILED COURSE SCHEDULE

SESSION #5

HBSP: Harvard Business School Publishing Coursepack; **GD:** Google Drive; **URL:** Click for online access

June 29 Entrepreneurship and Ethical Imprinting.

Summary This session considers how one can imprint an organization with their values and leadership principles at the time of founding. We consider specifically how founders' employment models govern attraction, selection, and attrition dynamics in ways that can reinforce a founders' values. The Patagonia case frames a discussion of the enduring relevance of such founding conditions.

Articles **GD** Hanson, K. O. (2015). "[The ethical challenges facing entrepreneurs.](#)" *Wall Street Journal*. Nov. 23rd.

HBSP Baron, J. N. and M. T. Hannan. (2002). "[Organizational blueprints for success in high-tech start-ups: Lessons from the Stanford project on emerging companies.](#)" *California Management Review*, 44(3): 8-36.

Cases **HBSP** [Patagonia's Path to Carbon Neutrality by 2025.](#)

Prep Questions

1. Is Patagonia's carbon neutrality goal attainable by 2025?
2. How challenging would it be for other apparel manufacturers (i.e., Patagonia's competitors) to establish a goal of attaining carbon neutrality by 2025?
3. Patagonia is privately owned by the founder and his family. What's more relevant for Patagonia's current mission and objectives: private ownership or founding values? Why?
4. How can Patagonia pursue its carbon neutrality goal in a way that encourages other companies that are publicly-owned to make similar commitments to sustainability goals?

Deliverables None.



DETAILED COURSE SCHEDULE

SESSION #6

July 2 Corporate Social Responsibility (CSR).

Summary This session contrasts the two prevailing theories of the modern corporation's responsibilities: shareholder theory and stakeholder theory. The Turing Pharmaceuticals case frames a discussion of the social responsibilities of corporations.

Articles **GD** Friedman, M. (1970). "[The Social Responsibility of Business is to Increase its Profits.](#)" *New York Times*.
HBSP Smith, N. C.. (2003). "[Corporate Social Responsibility: Whether or How?](#)" *California Management Review*, 45(1): 52-76.

Cases **HBSP** Turing Pharmaceuticals: Fair Profit of Price Gouging in the Drug Industry?

Prep Questions

1. How do conventional research-based pharmaceutical companies generate profits?
2. Compare and contrast the business models of Turing and Valeant.
3. What are the social responsibilities of pharmaceutical companies according to Friedman's shareholder theory? According to the stakeholder theory espoused by Smith? According to you?
4. Consider the implications of your answer to Question #3 for shareholders, healthcare consumers, governments, and for the pharmaceutical industry if all pharmaceutical companies conformed to your view of CSR.

Deliverables None.



DETAILED COURSE SCHEDULE

SESSION #7

July 3 **Creating Shared Value.**

Summary In this session, we consider how companies can create and capture economic value in ways that are beneficial for the company and for society (i.e., win-win situations). We also consider situations that are characterized by zero-sum outcomes for company and society (i.e., win-lose and lose-win). The Nestle case discussion provides an example of a company that has developed a Shared Value Creation strategy and also provides a basis for considering how trade-offs between company and societal interests might develop.

Articles **HBSP** Porter, M. E. and M. R. Kramer. (2011). "[Creating shared value.](#)" *Harvard Business Review*. January-February.

HBSP de los Reyes, G., M. Scholz, and N. C. Smith. (2017). "[Beyond the 'Win-Win': Creating shared value requires ethical frameworks.](#)" *California Management Review*, 59(2): 142-167.

Case **HBSP** [Nestle's Creating Shared Value Strategy.](#)

Prep Questions

1. What is Nestle's strategy for Creating Shared Value (CSV)?
2. Why did Nestle develop the CSV strategy? How did it overcome the fact that Nestle wasn't founded as a Nutrition, Health & Wellness company?
3. How is Nestle implementing this strategy?
4. What strategic trade-offs does Nestle face in implementing this strategy?
5. How likely, in your view, is Nestle to encounter "win-lose" or "lose-win" scenarios described by Reyes, et al.?

Deliverables None. The final exam will be distributed after this class session ends.
