



# University of Pittsburgh

*Katz Graduate School of Business*

TO: MBA Students Registered in the Thursday Evening Section of Business Ethics and Social Performance (BSEO 2401), Fall Term 2010-2011

FROM: H. J. Zoffer

DATE: October 11, 2010

RE: Textbook and Initial Assignment

We will shortly join together to begin exploration of the area of Business Ethics and Social Performance. Please read the following material. I want to advise you of the text we will use, as well as other details about the course. Our text is currently on order at the Pitt Book Center. Please note what you should be reading prior to our first class in Room B75 Mervis Hall at 6:20 p.m., Thursday, October 28<sup>th</sup>.

We will be using the following text:

**Managing Business Ethics: Straight Talk About How To Do It Right, 5<sup>th</sup> Edition,**  
**Linda K. Trevino and Katherine A. Nelson, 2011, New York, NY: John Wiley.**  
*(The 5<sup>th</sup> edition has just come out. Be sure NOT to buy the 4<sup>th</sup> edition).*

Please read Chapters 1 and 2 for our first meeting. They constitute an introduction of the subject. Students previously registered in this class suggest this text begins slowly and picks up speed as it goes. It is suggested that you keep this in mind as you begin the reading assignments.

A syllabus for the course is attached. Please note in the syllabus that 20% of your grade is based on class participation. This includes voluntary contributions to the learning environment as well as designated student response to instructor-designed questions about the current reading assignment. I look forward to working together with you as we explore the issue of Business Ethics (or perhaps, as we explore ethics, as applied to business). Is there really a body of knowledge that we could characterize as business ethics?

Students often suggest that the class participation segment of the final grade allows some few students to dominate the discussion, encourages people who would not ordinarily speak up to do so to qualify for that portion of the grade (even though their contributions are often not memorable or even helpful), and creates a diversion while I acknowledge contributions and their quality in my grade book. The reasons I have used this approach are (1) because I believe that it is important for MBA students to learn to be visible with their opinions, particularly in a class where there often are no right or wrong answers in the traditional sense, (2) because I think it is important for tomorrow's senior managers to understand the views of those they manage, particularly on a subject as controversial and diffuse as ethics, and (3) because I think it is important for students who will have senior managerial positions in their future to be able to defend their positions on ethical matters before a group, so they can be role models for those reporting to them. While I can achieve some of these outcomes by directly calling on you with specific questions, I have always felt that giving students the option to volunteer their comments on an optional basis is more equitable. Class discussion, no matter what choice you make, will continue to be an important part of our class.

## **SYLLABUS**

### **BUSINESS ETHICS AND SOCIAL PERFORMANCE BSEO 2401**

**MBA Program – Evening Section – Fall Term 2010-2011  
Thursday Evening, 6:20 – 9:20 p.m.  
B75 Mervis Hall  
1.5 Credits**

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#### **Professor: H. J. (Jerry) Zoffer**

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#### **Introduction:**

Business Ethics and Social Performance raises some questions which are crucial to the success and the satisfaction levels of managers at all levels. It differs from many of the other courses in the MBA program in some subtle and in some obvious ways. It focuses on personal values, a very private subject in one sense, but one which can create conflicts with organizational values. These conflicts can have severe ramifications for any manager. More seriously, it is rare to find a correct answer, in the traditional sense. It is, in many ways, a course in philosophy which will ask you to question many of the views you currently hold or explore alternatives to positions other MBA courses may have suggested you maintain. I ask only that you allow yourself an open mind as you ponder conflicting arguments.

We will explore what responsibilities a manager has to others, look at what is owed to various stakeholders, and try to determine why a manager must deal with such issues in a systematic and responsive way. It is not uncommon for MBA students to be skeptical about the need for formal exposure to the subject of "ethics." We are all blessed or burdened with a lifetime of experiences in the area of ethics. This creates everything from deep understanding of the role that ethics plays in the life of the citizen/manager to hardened biases which may or may not create tensions within the managerial environment and the life of the manager.

It is not our intention to train ethicists in this course, or to suggest that ethics produces a right and wrong answer to every quandary where ethics is relevant. If only right and wrong were involved, ethics would be an "easy" subject. We seek only to examine why it is important for the individual and the organization to design and

## Course Objectives:

To help you understand the importance of dealing comprehensively with ethical issues, of making decisions in a more informed way, and of helping to build organizations where an ethical culture permeates the environment by:

- a. Sensitizing managers to the nature and kind of ethical issues they will face during their careers.
- b. Providing some basic tools for ethical analysis for managers.
- c. Helping managers identify their own values and how those values have developed.
- d. Increasing managers' understanding of what is involved in creating an "ethical" organization.
- e. Exploring business ethics across cultural and legal boundaries.
- f. Identifying the benefits of ethical behavior to managers, their organizations and the economy as a whole.
- g. Allowing diverse sets of individual values to be explored within a classroom setting.
- h. Exposing the tensions, pressures, conflicting loyalties, etc., which yield unexpected or undesirable results when ethical issues become an integral part of the decision-making process.

## Textbook:

***Managing Business Ethics: Straight Talk About How to Do It Right***, 5<sup>th</sup> Edition, Linda K. Trevino and Katherine A. Nelson, 2011, NY, NY: John Wiley

## Course Expectations:

<u>Expectation</u>	<u>Weight</u>	<u>Due Date</u>
Final Comprehensive Exam covering assigned readings, lectures, class revelations, cases and other course content	50%	Thursday, December 16
Class participation and responses to directed questions related to current reading assignments	20%	All Modules
***Four-page maximum, double-spaced, readable font, real-life disguised as necessary, business ethics case drawn from personal experience, including your <b><u>analysis, interpretation, and suggested resolution based on course materials</u></b> and your accumulated wisdom; possible class discussion; <u>indicate on front page of case whether you are willing to have your case discussed in class, assuming you are NOT identified as the author.</u>	30%	<b>Tuesday, November 23 by 5:00 p.m.</b>
*** <b><u>DO NOT SEND BY E-MAIL. HARD COPIES ONLY. Deliver to my mailbox on the 2nd floor of Mervis Hall, to my secretary, Lesley Brown, in 341 Mervis Hall, or under my door in 366 Mervis Hall.</u></b> ***		

### **Class Participation**

Since class participation may be a part of the grading mechanism for this course, I will need to identify who is saying what. This suggests you should identify yourself when making comments or make sure your name-card is visible, and that you will need to put a high priority on class attendance, since it is somewhat difficult to contribute when you aren't there. Name cards will be provided for you, and I suggest you bring them to each class to facilitate your identification. If you will not be able to attend a particular class, please email me so I can document why you cannot participate in that class.

We are dealing with a subject which is only partially fact-based. Opinions, values, biases, emotions, cognition, experiential contributions, and changing dimensions of your thinking are all part of the equation. Your participation will be judged on how and the extent to which you add to the discourse, how you share your own developmental patterns, and how well you use the time of the course for the edification of your classmates and your instructor.

### **Students With Disabilities:**

If you have a disability for which you are or may be requesting an accommodation, you are encouraged to contact both your instructor and the Office of Disability Resources and Services, 216 William Pitt Union, 412/648-7890 or 412/383-7355 (TTY) as early as possible in the term. DBS will verify your disability and determine reasonable accommodations for this course.

### **Grading Guidelines:**

The Katz School has adopted grading guidelines for the MBA program which I will follow. This means that your final grade will depend on a comparative as well as an absolute performance.

### **Office Hours:**

While I have not listed specific office hours, I spend a lot of time at the University and will be pleased to talk with you by telephone if you will leave me a message. I will also be glad to arrange a mutually convenient time when we can get together outside of class, if that would be helpful to you.

## THE WALL STREET JOURNAL

Your Career Matters: Scared Straight, White-Collar Style --- M.B.A. Ethics Class  
Includes Prison Visits, Ex-Con Talks; 'We Are Exactly Like You'  
Wall Street Journal; New York, N.Y.; Oct. 10, 2000; By Jess Bravin;

**SIC:** 611310  
**Edition:** Eastern edition  
**Start Page:** B.1  
**ISSN:** 00999660  
**Subject Terms:** MBA programs & graduates  
Professional ethics  
Prisoners  
**Companies:** **Pepperdine University SIC: 611310**

### Abstract:

*Gathering at the Treasure Island hotel and casino on Las Vegas Boulevard, the 56 students in this year's program began with an evening orientation highlighted by Messrs. [Mark Morze] and [Ted Wolfram]. "I'm a fox, I'm a fraudster. I was the biggest liar in North America," crowed Mr. Morze, 49, an energetic former college football player who has parlayed his notoriety into a career as a motivational speaker. ("I guess crime does pay," he joked.) He also described the horrors of 53 months in prison, including watching one inmate smash in another's skull in a dispute over a chicken wing.*

*The next morning, beneath a mammoth billboard touting Siegfried and Roy, the students, dressed in business attire to distinguish themselves from the inmates, boarded the bus for the eight-mile trip to Nellis. Such Vegas landmarks as the Elvis-a-Rama Museum and the Flamingo hotel, the legacy of mobster Bugsy Siegel, soon gave way to the Mojave Desert and the low-slung complex of bungalows that make up the prison.*

*Nellis is no San Quentin. The minimum-security institution and its 556 inmates are largely free to move about the facility during the day. But there are few happy campers at a prison camp, particularly among the white-collar crooks who have shed power ties for khaki uniforms, and six- or even seven-figure salaries for 12 cents an hour performing menial chores at the adjacent Nellis Air Force Base.*

### Full Text:

LAS VEGAS -- When news broke late last month that three former executives of McKesson HBOC Inc. had been charged in a multimillion dollar fraud scheme, Steve Behunin, a manager with a recently sold McKesson division, was already in prison.

Mr. Behunin, operations director for Sparkletts Water products Co., now a unit of Groupe Danone SA of Paris, wasn't involved in the alleged crime. But he was at Nellis Federal Prison Camp outside Las Vegas to learn from criminals, as part of his midcareer pursuit of a master's degree in business administration at Pepperdine University. The Malibu, Calif., school sends students here as part of its business-

Wolfram, 70, told students. Another consequence of his fraud convictions: Friends won't let him be the banker when they play Monopoly.

The next morning, beneath a mammoth billboard touting Siegfried and Roy, the students, dressed in business attire to distinguish themselves from the inmates, boarded the bus for the eight-mile trip to Nellis. Such Vegas landmarks as the Elvis-Rama Museum and the Flamingo hotel, the legacy of mobster Bugsy Siegel, soon gave way to the Mojave Desert and the low-slung complex of bungalows that make up the prison.

Nellis is no San Quentin. The minimum-security institution and its 556 inmates are largely free to move about the facility during the day. But there are few happy campers at a prison camp, particularly among the white-collar crooks who have shed power ties for khaki uniforms, and six-or even seven-figure salaries for 12 cents an hour performing menial chores at the adjacent Nellis Air Force Base.

To hear some of the inmates tell it, the line they crossed between legal and criminal behavior was thin indeed. "We are exactly like you," inmate Darrell Van Brocklin, a former bank president serving nine years for fraud and money laundering, told the students. "If you think that a good set of ethics will keep you from going to prison, you are mistaken." Protesting his innocence, he likened his conviction to a random act of violence dealt by overzealous prosecutors. He warned the mostly male students that, if statistics hold, "two of you gentlemen are going to prison."

With his white hair and bifocals, the 57-year-old Mr. Van Brocklin retains the looks and demeanor of the finance executive he once was, before a jury found he had made more than \$1 million by manipulating the sale of loans held by his Rapid City, S.D., bank. But, acting as master of ceremonies for the inmate panel, Mr. Van Brocklin launched a critique of the justice system that could have come from the most incendiary radical, attributing his confinement to the fact that "the prison industry is geared to having a constant flow of cattle."

A somewhat different spin came from Robbin McLaurin, aka Robbin Nelson, 43, serving 10 years for a running a telemarketing scam in Las Vegas.

"My biggest crime was my arrogance," Mr. McLaurin said. "I thought everything I was doing was legal and ethical until it was challenged." Nonetheless, he allowed that "people are extremely greedy," and added: "I capitalized on that." (According to Mr. McLaurin's indictment, his scheme involved falsely telling victims they had won prizes of up to \$1 million, which would only be paid after they sent him thousands of dollars in "taxes and fees.")

Prof. Martinoff asked Mr. McLaurin if his actions could have passed this test: "Would you have done it if you had explained it to your wife?"

"She would say, 'Don't do it!'" Mr. McLaurin replied. "I'd say, 'Look, we're talking about millions of dollars. Just be quiet and keep driving that Mercedes.'"

10/15/09

WSJ

## EXECUTIVE

## M.B.A.s Seek Social Change

*Enterprises With a Cause Gain Ground on Campus*

BY DIANA MIDDLETON

During his M.B.A. studies at University of California at Berkeley, Jeff Denby told everyone his ultimate career goal: to start an underwear company.

Soon, professors and classmates at the Haas School of Business began to call him "the underwear guy."

But Mr. Denby—who had formerly worked in industrial design and went to business school interested in supply-chain management—decided early in his program that he wanted to create a company that was about more than just boxers or briefs. In his view, it was critical to create a product that was environmentally friendly and sustainable—and whose sales could help support good causes.

This type of social entrepreneurship—that is, building a for-profit company with a social conscience or linked with a social cause—is becoming increasingly attractive to would-be business founders. The idea is to make money while either directly impacting consumers with its services or funneling a portion of profits to charities. Often, these companies employ people or source resources from economically depressed areas of the world.

And with an increased interest in socially responsible money-making, business schools have been pushed to create a whole host of courses and study tracks to help M.B.A. students sort out the best way to pull it off. Schools like Oxford University, Cornell University and Dartmouth College have all seen increased demand for instruction in social entrepreneurship.

Some administrators say it is a generational progression of business-school students who have grown up socially aware. Others say a lack of traditional jobs has spurred an interest in entrepreneurial ventures—and the focus on societal impact is partly a matter of trying to escape the stigma of the "greedy M.B.A."

"I think the interest in entrepreneurial ventures with social value lies about more than the

fact that people can't get jobs as easily," says Colin Mayer, dean of Oxford's Saïd Business School in the U.K. "There's also a sort of underlying sense of guilt about what happened during the crisis."

For his part, Mr. Denby, who graduated in May 2008, has long wanted to use his business skills for good. Before Mr. Denby launched PACT Organic Underwear as an online-only company in August, he researched all aspects of manufacturing and distribution to make sure his products would be legitimately sustainable, from the labor he employed to the inks used in the garment dye. Then he decided to pair each pattern used on the underwear with a themed charity. For example, 10% of the proceeds from one blue pattern inspired by a Japanese woodcut, go to a marine-conservation group.

Mr. Denby says his entrepreneurial spirit was fostered by Berkeley's curriculum. In one social entrepreneurship-focused course, guest speakers would make weekly appearances to discuss their for-profit business models. Mr. Denby also enrolled in a start-up workshop where students "spent a lot of time figuring out who we wanted to work with," he says.

At Oxford's Saïd Business School, students use the Skoll Centre for Social Entrepreneurship to insert these concepts into their business plans.

Recent projects include building water-purifying systems in Africa and developing Internet banking systems in regions without significant technology infrastructure. Oxford has offered electives in social entrepreneurship through the center for years but recently expanded its options.

The school also provides a venture fund that students can tap to fund worthy projects. In those cases, the school has a stake in the company—and its success—says Mr. Mayer, adding that the increased focus among students stems from the dearth of traditional jobs in finance, as well as the malaise surrounding the economic collapse.

"There is a real sense that doing good business can promote real change in economically depressed regions," Mr. Mayer says.

What's more, a for-profit enterprise with a socially responsible backbone is more attractive to nervous investors during economic turbulence than traditional business plans, argues Gregg Fairbrothers, director of Dartmouth College's Entrepreneurial Network at the Tuck School of Business.

"Financing is tough for start-ups," says Mr. Fairbrothers. "For investors to take a risk with you, it helps to have tangible social good coming from it, not just the promise of a fat IPO that will make everyone rich."

Mac Dougherty, a recent Dartmouth grad, is doing just that. He joined forces with two computer-science and neuroscience professors to market the services provided by a microprocessor that powers computer servers. The technology uses significantly less energy than its competitors. Not only would the technology be greener, he says, but it could also be useful for developing countries where energy shortages are the norm.

Mr. Dougherty homed in on the concept of social entrepreneurship during his first-year project course and later plumbed the resources at the Dartmouth Entrepreneurial Network and landed a fellowship with the All-win Initiative for Corporate Citizenship, an on-campus group that aims to instill ethics and a social consciousness into the students.

Still in its planning phase, the technology company, called Cognitive Electronics, will eventually be marketed to government and defense agencies.

"We could get all this technology into the hands of people and unlock a lot of potential," says Mr. Dougherty.

WSJ.com

ONLINE TODAY: Q&A with University of California's Jerome Engel on entrepreneurship at [WSJ.com/mba](http://WSJ.com/mba).

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## EDUCATION

Others have exploited curriculums that had been coincidentally revamped before the crisis to become less theoretical and less technical, and more interdisciplinary and more focused on real-world social consequences. At Stanford, for example, in small classes called Critical Analytical Thinking, students are considering whether Google ought to put its servers inside China: Local servers mean better service for the Chinese but also government oversight of Google search content. "How the company should handle that tradeoff is what students explore," says dean Garth Saloner. In a different time or at a different school, the question might only be what's immediately best for shareholders.

Stanford's curriculum reform was instituted two years ago, Saloner says, in response to concern that "future business leaders" were being trained too narrowly, within artificial specialties. Similarly, at the Yale School of Management, old and traditional "silos" like finance, marketing, and accounting were replaced with broader, more integrated core courses such as The Investor, The Customer, The Competitor, and The Employee.

Harvard, the Bigfoot of MBA education, is tiptoeing into curriculum adjustments. Its upcoming January program

for students will include courses in moral leadership, distressed debt, and global real estate. But dean Jay Light, deriding "splashier" changes elsewhere, says specific courses aren't really the point. "Curriculum is to learning as an organizational chart is to a company," he says. "Learning has to do with what goes on inside the classroom." He says that what came out of last spring's faculty workshop was a "renewed appreciation

that things can go wrong at all levels" and that his school hadn't spent enough energy addressing that reality.

Curriculum at most professional schools is a matter of pedagogical fashion, as well as student demand. After

the rise of Michael Milken (Wharton MBA '70) and the fall of Enron (Jeffrey Skilling, Harvard MBA '79), there were predictable cries for more vigilance in the academy, as if the professoriate alone could curb hubris. Elective courses in ethics, responsibility, and moderation followed scandal-plagued eras. Maybe some of the customers paid some attention. Yet Light points out that in recent years attendance in Risk Management at HBS was so low the course was canceled. No surprise it's back now. We'll see for how long. ■

REPORTER ASSOCIATE Beth Kowitz

## LEARNING FROM THE FINANCIAL CRISIS

Business schools are looking to last year's collapse for firsthand experience.

**CARNEGIE MELLON, TEPPER SCHOOL OF BUSINESS**  
**COURSE:** Financial Crises, Bubbles, and Panics  
Introduced in the spring, this elective addresses a number of timely questions: What is a financial crisis? What causes panics? How prevalent are they? Can they be prevented?

**COLUMBIA BUSINESS SCHOOL**  
**COURSE:** The Future of Finance  
This team-taught course scheduled to launch this spring will give students an understanding of the crisis and challenge them to anticipate where business is heading.

**NEW YORK UNIVERSITY, STERN SCHOOL OF BUSINESS**  
**COURSE:** Financial Crisis and the Policy Response  
This class examines lessons from the crisis as viewed by a market practitioner. Students examine policy implications and what financial institutions should be doing.