

The Corporation in Society

Strategy 411
Fall, 2015

Professor Jim Walsh

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Class Schedule

We will meet in the 6th floor Colloquium on Monday and Wednesday mornings from 11:30am to 1:00pm.

Course Overview and Objectives

Perhaps the most difficult challenge for managers is to sustain their idealism and noble aspirations with the practical demands of getting their work done and satisfying the capital markets. A broad framework for understanding the role that companies play in society -- and for the expanded role that they are increasingly expected to play -- is indispensable for sorting out the questions and challenges leaders face. These challenges may be most acute for people as they begin their careers. We will both consider these challenges and work to develop a philosophy of management that will guide your day-to-day decision making in the years to come.

To begin, we will see that questions about the proper place of the corporation in society have bedeviled scholars, policymakers and business leaders for many years. We can trace the debate about the purposes and accountability of the firm back to Roman times. As the debate unfolded, a commitment to social and environmental issues was typically seen as extraneous to the purview of the firm. Government may step in with its regulatory apparatus if firms cause trouble but as a whole, the U. S. government, for example, has worked to enable largely unfettered free enterprise. Yes, firms do have a history of making (sometimes very public) philanthropic donations but these investments can be very limited; moreover, they do not challenge the fundamental contractarian model of the firm. It is fair to say that corporate concern about our social well-being has been seen as peripheral to business life. The situation is changing.

The globalization of factor and product markets brings worldwide differences in health, wealth, and well-being into sharp relief. It certainly brings these issues to the attention of business leaders. Human problems can be exploited as a source of competitive advantage (the "race to the bottom" hypothesis) or they may simply be a novel challenge that business leaders must learn to address (say when a firm chooses to site its facilities in locales with a rudimentary education and health care infrastructure). More broadly, weak nation-states and the erosion of sovereign borders leaves multinational corporations as perhaps the only transnational institution in the world that is capable of addressing problems of human misery (whether rooted in corporate practices or not). What was once an interesting theoretical debate, worthy of passing executive interest, is fast becoming a compelling business concern. Like it or not, businesses are often asked to invest in our social life. There is new life in this old debate. The historical separation between business and social life is breaking down. Indeed, some firms are even finding ways to

build competitive advantage and create shareholder wealth by attending to social and environmental problems.

We will review the classic debate and in this light, examine the contemporary practices of corporations as they choose to act, or not act, in a world of social and environmental needs and expectations. We will discover that there are no simple prescriptions for what corporations can do to make a difference, much less how to make a difference. There are complex theoretical questions to answer here. Unfortunately, we do not have much time to answer them. Human misery cries out for relief.

We will consider these issues from a theory and a practice point of view. Coming to terms with the theoretical issues, we will leave the course with a much deeper understanding of business. We will leave our time together with a quality of mind and philosophy of management that will help us work our way through these important and complex issues in the years ahead. In the end, this course is for all of us. People who work in and lead corporations of all sizes and types can only benefit from such a thoughtful consideration of the purposes and accountability of the firm. People who interact with the corporation, either as public servants, members of the nonprofit and NGO community, and even corporate activists, will benefit from such a consideration of their partner (or adversary). And of course, those who create and lead corporate citizenship initiatives will come away with a much greater appreciation for the opportunities and challenges they encounter when they marshal their corporation's resources to make the world a better place.

Course Requirements

There will be no “make work” or “busy work” assignments in this course. Each course requirement is designed to pique our particular interests, to develop our critical thinking capabilities, to enable us learn from each other, and to help us engage the world.

Debate Preparation: We will hold our own great debate about the purpose of the firm in class on **September 21st**. I have assigned many of the classic readings to help you prepare. I will split the class in half and then ask you to work with a group of your colleagues to synthesize the various arguments and develop a compelling outline that captures the major points that support your assigned point of view. Make sure that your points are affirmative points; that is, do not advance your argument by suggesting that following the other's path is a path to oblivion. The operative word is “outline.” There is no need to turn these ideas into prose. A two-page annotated outline is sufficient.

Stakeholder Analysis: We will select an interesting company to examine as a class and share our stakeholder analyses with each other in special evening session on **November 23rd**. With partners, you will look at the company of your choice through the eyes of one of its stakeholders. I will assign partners and the specific stakeholder groups in class. As you do your analysis, be sure to give us a) some sense of the history of the relationship between the stakeholder and the corporation; b) a review of the stakeholder's contemporary interests; c) a clear sense of the stakeholder's power; and in the case of all but the senior management, d) an appraisal the senior managers' likely view of them. Please prepare a PowerPoint deck to support a 10 to 15-minute formal presentation to share with the class on the night of November 23rd.

Theory-in-Practice Illustration: This course provides a contemporary look at the many knotty issues we discover when we think hard about how the firm sits in society. I want to be sure that we are alert to how these issues play out in our lives. You will have an opportunity to track down a relevant illustration of these issues. Some of you will find an example of how a firm's social investment might boost its

performance. You can share your example of this seemingly “enlightened” behavior for one of our “mechanisms” classes on **September 28th, September 30th, and October 5th**. Others of you will do this same kind of exercise later on in the course. The difference is that this time I would like you to shift gears and find examples of abusive corporate behavior. Look for egregious examples of the sometimes harmful and dangerous effects that corporate practices can have on its employees, customers, and community. We will discuss these issues on **October 29th, November 3rd, and November 5th**.

Your PechaKucha Point of View: It goes without saying that the word is a complicated place. Nevertheless, you are often called upon to share an opinion (and yes, lead). We will close the course with you sharing your point of view about some issue or topic we considered in class ... or one not considered but one where your opinion is inspired by our time together. I would like you to prepare a PechaKucha presentation. To quote from the PechaKucha webpage, “PechaKucha 20x20 is a simple presentation format where you show 20 images, each for 20 seconds.” Therefore, using these images as presentation aids, you will have 6 minutes and 40 seconds to articulate your point of view. The PechaKucha webpage describes the structure for your talk: <http://www.pechakucha.org/faq>. These will be due at the end of the course on **December 16th**.

This I Believe: Originated in the 1950s, National Public Radio brought the “This I Believe” radio series back to life. I would like to help close our class by having you each write a 500-word essay for the series. This assignment asks you to articulate your fundamental beliefs in a crisp and compelling fashion. Obviously, I hope that our time together will inform what you have to say. Having said that, your essay will not be about the course *per se*. It is all about you. Reflecting upon our time together and the whole of your life, think about your fundamental beliefs. Embrace the assignment with complete seriousness. I would like you to share your beliefs with your colleagues in class and indeed, the world. Your 500-word essay is due to me by 8pm on Saturday, **December 5th**. I will collect them all in a single document and give them back to you in time to prepare for the following Wednesday’s class. Reading each other’s essays (and an essay by William Deresiewicz), we will reflect on our essays as a class on Wednesday, December 9th.

Here is the link to the This I Believe website and to some helpful instructions for writing the essay: <http://thisibelieve.org/>. You might also find the recently published compilation of essays to be helpful (and interesting). Please feel free to submit your essay to the website too!

- Allison, J. and Gediman, D. 2007. *This I Believe*. New York: Holt Paperbacks.
- Allison, J. and Gediman, D. 2008. *This I Believe II*. New York: Holt Paperbacks.
- Gediman, D., Gregory, J. and Gediman, M.J. 2010. *Edward R. Murrow’s This I Believe: Selections from the 1950s Radio Series*. This I Believe, Inc.
- Gediman, D., Gregory, J. and Gediman, M.J. 2011. *This I Believe: On Love*. Hoboken, NJ: John Wiley and Sons.
- Gediman, D., Gregory, J. and Gediman, M.J. 2011. *This I Believe: On Fatherhood*. San Francisco: Jossey-Bass.
- Gediman, D., Gregory, J. and Gediman, M.J. 2012. *This I Believe: On Motherhood*. San Francisco: Jossey-Bass.
- Gediman, D., Gregory, J. and Gediman, M.J. 2013. *This I Believe: Life Lessons*. San Francisco: Jossey-Bass.

Class Contribution: We are a learning community. It is crucial that you attend all of our class sessions ready to contribute to our discussion and learning. I really want you to share your ideas and experiences in our interactive and accepting classroom environment. To this end, I would like you to prepare a

discussion stimulus for most every class (whether you choose to attend class or not). Your stimulus will capture your reaction to the day's readings. It can be a well-articulated question, a considered reaction to the work, or an alternative point of view. Your stimuli will lead us all to a very deep understanding of the issues in play each week. Please submit your discussion stimuli to me by e-mail **no later than 8:00pm on the night before class** (there may be times when this assignment is suspended). I will not read work submitted after class. I will compile your thoughts and find a way for us to consider many, if not all, of the themes you raise when we gather in class.

Your contribution to our learning will be assessed in two different ways. I will evaluate the quality of your discussion stimuli. And at the end of the course, **your peers will take stock of your contributions to our learning.**

Course Grading

Discussion Stimuli	35%
Peer Assessment	15%
Debate Preparation	10%
Stakeholder Analysis	10%
Theory-in-Practice Illustration	10%
This I Believe	10%
Your PechaKucha Point of View	10%

Class Etiquette and Attendance Policy

Attendance is essential to our class experience. I assume that everyone wants to be in the course. If not, please enroll in a course that better captures your interest. Obviously, we all lose if we do not respect each other. Would you please turn off all of your electronic communication tools during class? Texting and surfing the web do not promote active listening and thoughtful conversation. We will determine our formal attendance policy as a class.

Reading Materials

The password-protected Strategy 411 CTools website contains most of the materials for the class. Of course, you will need to purchase some of the course materials.

Honor Code

Our lives are defined by personal integrity and professionalism. Of course, our work will be conducted in strict conformity with the Ross School's Academic Honor Code. You are to write your daily discussion stimuli, "This I Believe" essay, and your PechaKucha point of view presentation entirely on your own; absent some unique circumstance, your work on the debate preparation, the stakeholder analysis, and the theory-in-practice illustration is to be done only with the members of your group. Please see our statement of community values, our academic honor code, and our code of student conduct <http://www.bus.umich.edu/Academics/Resources/communityvalues.htm> if you have any question about our expectations of each other.

Religious and Academic Conflicts

Please let me know by the Drop/Add date if you need any accommodation for a religious holiday. As seniors, you know that the University of Michigan does not observe religious holidays. Still, our University policy is to make every reasonable effort to help you avoid any negative academic consequences when your religious obligations conflict with our academic requirements. Of course, I will be as helpful to you as I can possibly be if you find yourself with a conflict.

Students with Disabilities

Please let me know by the Drop/Add date if you need an accommodation for a disability. Some aspects of the course, the assignments, and the in-class activities may be modified to facilitate your participation and progress. As soon as you make me aware of your needs, we can work with the Office of Services for Students with Disabilities to help determine appropriate accommodations. Of course, I will treat any information you provide as private and confidential.

Class Schedule and Assignments

September 9, 2015 Business Education Today

Reading:

- James, W. 1907. "The social value of the college bred." Address delivered at a meeting of the Association of American Alumnae at Radcliff College, November 7.
- Wilson, T.D., Reinhard, D.A., Westgate, E.C., Gilbert, D.T., Ellerbeck, N., Hahn, C., Brown, C.L., Shaked, A. 2014. "Just think: The challenges of the disengaged mind." *Science*, 345: 75-77.

September 14, 2015 Doing Business in Society

Reading:

- Annan, K. 2001. "The 'unparalleled nightmare' of AIDS." Speech to the US Chamber of Commerce, June 1.

Case:

- Charles Veillon, S. A.
 - Broadly considered, how should Veillon address the child labor issue?
 - Specifically, should they partner with an NGO like AFXB?
 - And most urgently, should Jacques Zwahlen accept the invitation to appear on French television?

September 16, 2015 Theories of the Corporation

Reading:

- Allen, W. T. 1992. "Our schizophrenic conception of the business corporation." *Cardozo Law Review*, 14: 261-281.

September 21, 2015

The Great Debate: To Invest or Not?

Reading:

- Berle, A. A., Jr. 1931. "Corporate powers as powers in trust." *Harvard Law Review*, 44 (7): 1049-1074.
- Friedman, M. 1970. "The social responsibility of business is to increase its profits." *New York Times Magazine*, September 13: 32-33, 122, 124, 126.
- Sundaram, A. K. and Inkpen, A. C. 2004. "The corporate objective revisited." *Organization Science*, 15: 350-363.
- Siegel, D. S. 2009. "Green management matters only if it yields more green: An economic/strategic perspective." *Academy of Management Perspectives*, 23: 5-16.
- Karnani, A. 2011. "Doing well by doing good: The grand illusion." *California Management Review*, 53: 69-86.

vs.

- Dodd, E. M. 1932. "For whom are corporate managers trustees?" *Harvard Law Review*, 45 (7): 1145-1163.
- Nader, R., Green, M. and Seligman, J. 1976. "The corporate impact" in *Taming the Giant Corporation* (pp. 15-32), New York: Norton and Company.
- Freeman, R. E., Wicks, A.C. and Parmar, B. 2004. "Stakeholder theory and 'The corporate objective revisited.'" *Organization Science*, 15: 364-369.
- Marcus, A. A. and Fremeth, A.R. 2009. "Green management matters regardless." *Academy of Management Perspectives*, 23: 17-26.
- Rivoli, P. and Waddock, S. 2011. "The grand misapprehension: A response to Aneel Karnani's 'Doing well by doing good: The grand illusion.'" *California Management Review*, 53: 112-116.

September 23, 2015

Making the Business Case

Reading:

- Tichy, N. M., McGill, A. R. and St. Clair, L. 1997. "Global corporate citizenship - Why now?" In *Corporate Global Citizenship: Doing Business in the Public Eye*, (pp. 1-22). San Francisco: New Lexington Press.
- Meston, C.M. and Buss, D.M. 2007. "Why humans have sex." *Archives of Sexual Behavior*, 36: 477-507.

September 28, 2015

Mechanisms: Employees

Reading:

- Mirvis, P. 2012. "Employee engagement and CSR: Transactional relational and developmental approaches." *California Management Review*, 54(4): 93-117.

September 30, 2015

Mechanisms: Customers

Reading:

- Bloom, P.N., Hoeffler, S., Keller, K.L., and Basurto Meza, C.E. 2006. "How social-cause marketing affects consumer perceptions." *Sloan Management Review*, 47: 49-55.
- Marquis, C. and Park, A. 2014. "Inside the buy-one give-one model." *Stanford Social Innovation Review*, Winter: 2833.

October 5, 2015 Mechanisms: Strategy

Reading:

- Porter, M.E. and Kramer, M. R. 2011. "Creating shared value." *Harvard Business Review*, 89 (1/2): 62-77.

October 7, 2015 New Models: Bottom of the Pyramid Investments

Reading:

- London, T. 2009. "Making better investments at the base of the pyramid." *Harvard Business Review*, May: 106-113.

Case:

- Expanding the Playing Field: Nike's World Shoe Project (A)
 - Broadly considered, what did Nike do right here?
 - What business model would be most effective going forward?

October 12, 2015 New Models: Corporate Service

Reading:

- Samuelson, J. 2010. "Big business matters." *Stanford Social Innovation Review*, 8: 27-28.

Case:

- IBM: The Corporate Service Corps
 - What is IBM trying to achieve here?
 - What is your assessment of CSC's impact (for IBM and the world)?
 - What is Kevin Thompson's biggest challenge right now

October 14, 2015 New Models: Public-Private Partnerships

Reading:

- Kania, J. and Kramer, M. 2011. "Collective impact." *Stanford Social Innovation Review*, 9: 36-41.

Case:

- Cause Related Marketing: 3M as a Corporate Sponsor of the Canadian Breast Cancer Foundation
 - Why did the CFCF and 3M launch this partnership?
 - How do you assess the results of their work?
 - If you were Sherry Browne, would you continue the relationship? If so, how?

October 19, 2015 No Class -- Ross School Study Day

October 21, 2015 New Models: Hybridization

Reading:

- Battilana, J., Lee, M., Walker, J., and Dorsey, C. 2012. "In search of the hybrid ideal." *Stanford Social Innovation Review*, 10: 51-55.

Case:

- OrganJet and GuardianWings

- What do you think of the OrganJet and GuardianWings idea?
- If you were Sridhar Tayur, how do you think about your aspirations to establish OrganJet and GuardianWings, change the current transplant system in America, honor your commitments to Carnegie-Mellon University, and live a full life?

October 26, 2015 **New Models: Low-Profit Limited Liability Corporations, Benefit Corporations, and Flexible Purpose Corporations**

Reading:

- Hiller, J.S. 2013. "The benefit corporation and corporate social responsibility." *Journal of Business Ethics*, 118: 287-301.

Guest:

- ??

October 28, 2015 **Society's Protest**

Readings:

- Moynihan, R., Heath, I., and Henry, D. 2002. "Selling sickness: The pharmaceutical industry and disease mongering." *British Medical Journal*, 324: 886-891.
- Taibbi, M. 2009. "The Great American Bubble Machine." *Rolling Stone*, July 13.

November 2, 2015 **Employee Consequences**

Reading:

- Kantor, J. and Streitfeld, D. 2015. "Amazon's bruising, thrilling workplace." *New York Times*, August 16.
- Streitfeld, D. and Kantor, J. 2015. "Jeff Bezos says Amazon won't tolerate 'callous' management practices." *New York Times*, August 17.
- Michel, A. 2011. "Transcending socialization: A nine-year ethnography of the body's role in organizational control and knowledge workers' transformation." *Administrative Science Quarterly*, 56: 325-368. [Skim for a broad appreciation of the issues and results.]

November 4, 2015 **Consumer Consequences**

Reading:

- Nestle, M. 2006. "Food marketing and childhood obesity - A matter of policy." *New England Journal of Medicine*, 354(24): 2527-2529.
- Orenstein, S. 2003. "The selling of breast cancer." *Business 2.0*, February: 88-94.

November 9, 2015 **No Class (covered on November 24th)**

November 11, 2015 **Community Consequences**

Reading:

- Blinder, A. 2006. "Offshoring: The next industrial revolution?" *Foreign Affairs*, 85: 113-128.
- Immelt, J. R. 2012. "How we did it: The CEO of General Electric on sparking an American manufacturing renewal." *Harvard Business Review*, 90: 43-46.

November 16, 2015

Worldwide Consequences

Reading:

- Govenkar, P.L. and Govenkar, M.A. 2006. A tale of two fires: Igniting social expectations for managers' responsibility. *Journal of Management History*, 12: 90-99.
- News stories about the Dhaka factory collapse:
 - Montopoli, B. 2013. "Bangladesh factory disaster: How culpable are Western companies?" *CBS News*: April 26.
 - Anderson, M.T. 2013. "Clothed in misery." *New York Times*: April 29.
 - Sadique, S. 2013. "Dhaka factory collapse: Three months on." *BBC News*: July 24.
 - Clifford, S. and Greenhouse, S. 2013. "Fast and flawed inspections of factories abroad." *New York Times*: September 1.

November 18, 2015

Accountability: Internal Control

Reading:

- Armenakis, A. 2004. "Making a difference by speaking out: Jeff Wigand says exactly what's on his mind." *Journal of Management Inquiry*, 13: 355-363.

Case:

- Pinto Fires
 - Is Ford obligated to tell you of the dangers of driving their cars?
 - If you were the recall coordinator, would you have recalled the Pinto in 1973?

November 23, 2015

Accountability: Certification and Labeling Initiatives (Take 1)

Reading:

- Valkila, J, Haaparanta, P. and Niemi, N. 2010. "Empowering coffee traders? The coffee value chain from Nicaraguan Fair Trade farmers to Finnish consumers." *Journal of Business Ethics*, 97: 257-270.
- Note: You do not need to write a discussion stimulus for today's class.

November 23, 2015

Stakeholder Management -- special extended 6:00PM evening class in the Colloquium

Reading:

- Freeman, R. E. 2009. "Managing for stakeholders." In T.L. Beauchamp, N. E. Bowie, and D.G. Arnold, (Eds.), *Ethical Theory and Business* (8th Edition, pp.56-68). Upper Saddle River, NJ: Pearson.

Case: To Be Determined

November 25, 2015

No Class (covered on November 23rd)

- A special assignment is due before our Thanksgiving break today at 5pm

November 30, 2015 **Accountability: Leadership Challenges**

Reading:

- Sandel, M. J. 2012. "Introduction: Markets and morals." *What Money Can't Buy: The Moral Limits of Markets*, Chapter 1. New York, NY: Farrar, Strauss and Giroux.

December 2, 2015 **Accountability: Certification and Labeling Initiatives (Take 2)**

Reading:

- Lawrence, A. 2010. "Managing disputes with nonmarket stakeholders: Wage a fight, withdraw, wait, or work it out?" *California Management Review*, 53: 90-113.

Case:

- The Caring Company Scheme: Building a Corporate Social Responsibility Movement in Hong Kong
 - Was this an inspired idea or ultimately, a naïve one?
 - What should they do now ... change their aspirations or stay the course?

December 7, 2015 **Contemporary Complexities**

Reading:

- Sandelands, L.E. 2015. "On Taking People Seriously: An Apology, to My Students Especially." *Journal of Business Ethics*, 126: 605-611.
- Wallace, D.F. 2005. "Kenyon College Commencement Address."

December 9, 2015 **This We Believe**

Reading:

- Deresiewicz, W. 2010. "Solitude and leadership." *The American Scholar*, 79: 20-31.
- Our "This I Believe" essays

December 14, 2015 **The Road Ahead**

Reading:

- "Statement by Alabama Clergymen." April 12, 1963
- King, M. L. 1963. "Letter from a Birmingham Jail." April 16.
- Meyerson, D. 2004. "The tempered radicals: How employees push their companies - little by little - to be more socially responsible." *Stanford Social Innovation Review*, 2: 14-23.
- Weick, K. E. 1984. "Small wins: Redefining the scale of social problems." *American Psychologist*, 39: 40-49.