Class Times:        Stan Lomax
Mon., Wed. 5:30pm – 6:45pm          Distinguished Lecturer,
Classroom: BA Room #364                Office Hours: Thurs. 10am – 12noon
or by appointment, Room 763
Tel: 777-5981
slomax1@yahoo.com

Course Overview:

1. This course examines the dynamic relations between companies, the government and society from an ethics perspective.
2. We review the sources of Western ethical thinking, from Socrates to John Rawls. We study current ethical behavior trends in the U.S., from parenting, grade school, high school, college through employment. We discuss the major theories that attempt to explain these behavior trends.

Course Objectives:

1. This course is designed to equip you with the knowledge of how to recognize, evaluate and deal with ethical challenges at your workplace.
2. We identify today’s significant corporate stakeholders in order to understand the principles of stakeholder management.
3. We examine the ethical dimensions of doing business in the U.S. as well as the unique challenges facing U.S. multinational corporations doing business overseas.
4. We evaluate corporate governance; how companies are managing their ethic programs to ensure optimum ethical standards are maintained.
5. We focus on how U.S. federal regulations are impacting businesses.

Assignments:

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| 8/26 | Our objective: To provide a clear understanding, from a company manager’s perspective, how business, government and society interact ethically.  
- Introductions: Your major, future employment plans, and any special reasons for taking this course.  
- Distribution of “Whatever Happened to America’s Ethical Values?”  
- Sources of today’s ethical values, Socrates to Thoreau.  
- Ethical trends: pre-school through grad school.  
- Plagiarism and the mechanics to detect it.  
- The USC Honor Code; effective?  
- Unethical conduct after college, teachers, college presidents, government.  
- The S.C. Bar exam grade changes by the S.S. Supreme Court. |
| 8/28 | Guest professor: John Stern, Distinguished Lecturer, MGT, former SONY VP, HR  
The SONY ethics programs. |
| 9/2  | No class, Labor Day. |
| 9/4  | Additional background of society’s current ethical behavior: possible reasons:  
Daniel Patrick Moynihan: “Defining Deviancy Down”  
Prof. David Dunning: “The Perception of Unfairness”  
Happiness and materialism. |
|      | The Study of Business, Government, and Society. CH 1  
- The ExxonMobil case. Illustrates the wide range of interactions between a company and society.  
- The importance of the BGS field to managers  
- The social contract between business and society  
- Four models of the BGS relationships  
- Populism and its connection to the Tea Party, Occupy movements and President Obama’s re-election campaign.  
- Primary and secondary corporate stakeholders.  
Distribution of Callahan’s National Integrity Test. Results by 9/9. |
| 9/9  | The Dynamic Environment CH 2  
- The Royal Dutch Shell case; use of “scenarios.” Shell planners anticipated corporate scandals which lowered society’s trust in companies. |
• GINI Index, measuring inequality in society, and the rising demand for redistribution of wealth.
• HDI Index, the Human Development Index, the U.N.’s measure of the progress of humanity; where does the U.S. stand?
• The underlying forces changing businesses
• Seven key environments of business.

9/11  Business Power  CH 3

• The American Tobacco Company case; how a business can shape society.
• Two perspectives of business power.
• Dominance theory - is this the source of the Occupy Wall St. movement?
• Pluralist theory – is power really diffused in today’s U.S. economy?
• The Standard Oil Trust case; Rockefeller’s methods produced society’s opposition and eventually government intervention in the Sherman Anti-Trust Act.

9/18, 23  Critics of Business  CH 4

• “Mother Jones,” outspoken enemy of capitalism, how would she be received today?
• Origins of critical attitudes towards business
  Child labor in the U.S., society reacts with anger and the government responds with child labor laws
  Karl Marx envisions an egalitarian society (socialism) to replace capitalism and eventually communism, causing the government to wither away.
  The theory is tried out in over 1/2 of the world and generally makes allowances for some capitalistic freedoms.
  The current attempt in Cuba by Raul Castro to replace some socialism with entrepreneur opportunities. Will Cuba’s culture accommodate?
• The American critique of business—is the Populist movement still alive?
• Key differences between socialism, communism and capitalism.
• PETA campaign against KFC case; How society can organize to oppose a company’s operating practices. Do chickens have rights?

9/25  Corporate Social Responsibility  CH 5

• Merck and Co.; a company gives away an expensive drug to a society that cannot afford it. An example is business ethics?
  Are social needs and company financial goals always at odds?
  The debate over corporate responsibilities to society between Robert Bowen and Milton Friedman
• The evolving idea of corporate social responsibility
• Basic elements of a corporate social responsibility program
• The reasons for formal corporate code of ethics.
• Assessing the evolving global CSR system
• The Jack Welch, a recognized profits genius, era at General Electric; what was his ethics imprint on GE?
• His approach to employee appraisal and retention: GE’s “Vitality Curve.” How would you like to be rated under that system?

9/30 Implementing Corporate Social Responsibility CH 6
• William Gates Foundation, the transformation of Microsoft’s aggressive leader to the founding father of a charitable organization. What really prompts such a move?
• The sources of society and government pressure for corporate social responsibility.
• The triple bottom line; how business is valued by financial, social and environmental perspectives.
• The trend in private philanthropy.
• A model of CSR implementation
• Reporting and verification
• Corporate philanthropy
• The video “Good Deeds,” how some companies have developed socially responsible programs.
• Marc Kasky vs. Nike
• PBS video: Nike CEO Phil Knight denies sweatshop conditions in S.E. Asian factories. The ethics of sweatshops, do they influence your choice of products?
• Does Nike still have something to hide?

10/2 TEST ONE (covers introductory review of ethics trends and CH 1 thru CH 6)

10/7 Business Ethics CH 7
• The bizarre unethical conduct of WorldCom’s CEO Bernard Ebbers; was his 25 year sentence fair?
• What are business ethics? Does it rate the term “oxymoron”?
• Two theories of business ethics:
  1. Theory of Amorality
  2. Theory of Moral Unity
• The 4 major sources of ethical values in business
• The factors that influence managerial ethics
• How companies manage ethics
• Company and industry codes
• The issue of moral muteness, the whistleblower challenge,
• The Citigroup fraudulent research case and its prosecution by Eliot Spitzer.
• Trial of Martha Stewart; was she unfairly targeted?
10/9  Making Ethical Decisions in Business

- Principles of ethical conduct; the wisdom of 2,000 years, viewed through 14 principles that every manager should know about.
- The most famous of American philosophers, John Rawls, held that each person should act fairly toward others in order to maintain the bonds of community.
- Do men and women reason differently about ethics?
- Practical suggestions for making ethical decisions, a list of 8 questions.
- The warning signs that ethical issues are about to arise.

10/14  Business in Politics

- Paul Magliochetti and earmarks
- The open structure of U.S. government; how it invites lobbying pressures.
- A history of political dominance over government by business; is it growing stronger today?
- Lobbying in the U.S Congress, the inadequacy of the federal restrictions.
- Recent influence of labor unions on the Obama administration; the NLRB’s challenge to Boeing over the S.C. plant sites
- The AIG bonus revelation and the TARP fallout.
- Attempts at reform of the political process.
- The groups that represent business in Washington.
- Lobbying influence in South Carolina, the textile and tobacco industries.
- “Earmarks” and Gov. Sanford’s attack on “pork” in the S.C. Assembly.

10/16  Regulating Business

- FCC fines CBS over Janet Jackson’s performance at the Super Bowl; did the punishment really fit the crime?
- Reasons for government regulation of business, flaws in the marketplace and needs of society.
- How federal regulations are made; the 5 steps of the Regulatory Model.
- The costs and benefits of government regulation of private sector business
- The 5 levels of regulatory options available to the government
- The effect of the U.S. Supreme Court’s 2012 Obamacare decision
- The FDA and tobacco regulations; the 2009 decision to allow the DFA to oversee cigarette manufacturing/marketing
10/21  Multinational Corporations  CH 11

- The Coca-Cola Company; a company that changed overnight from a basically domestic corporation to a multinational.
- The Proctor and Gamble implosion in Japan and how it realized its cultural narrowness to salvage its operations there.
- The Chevron Myanmar (crimes against citizens) and Ecuador (pollution) operations; examples of grossly unethical conduct in both countries.
- The four stages of corporate development into a true multinational corporation
- The Transnationality Index (TNI); how global is a corporation?
- The Alien Tort Claims Act; its impact on multinational companies
- Company codes of conduct contrasted with industry and international codes

10/23  TEST TWO (covers CH 7 thru CH 11)

10/28  Globalization  CH 12

- McDonald’s Corporation; what modifications to its U.S. operation need to be made for success
- Forces in expanding globalization
- Benefits and problems with globalization
- Expanding trade agreements; Obama’s position on the S. Korea agreement
- Free Trade vs. protectionism; which is the U.S. policy?
- The costs and consequences of corruption
- The Foreign Corrupt Practices Act, a criminal and civil offense to bribe an official of a foreign government.

10/30  Industrial Pollution  CH 13

- The Hudson River and GE’s release of PCBs into it
- Health risks posed by pollution.
- Occupational lung diseases: brown lung, black lung and silicosis.
- Ideas shape attitudes towards the environment
- The sustainable development concept.
- The environmental and economic Kuznets curves
- The Environmental Protection Agency (EPA); its enormous growth and approaches to industrial pollution.
- Three areas of environmental policy:
  1. Air: is global warming a real threat?
  2. Water: coal-ash ponds in S.C., Saluda River
  3. Land: S.C. problem areas
11/4 Consumerism

- Harvey Wiley and the “Poison Squad”; the birth of the Pure Food and Drug Act
- Consumerism as an ideology and as a movement to protect the public
- Thorstein Veblen’s criticism of U.S. consumer traits; is it still valid today?
- Other prominent critics: Karl Marx, Ralph Nader, Henry Thoreau.
- The consumer’s protective shield; the many federal and state agencies protecting consumers
- Product liability law; the ability of consumers to file lawsuits when they are harmed
- Benefits and costs of consumer product liability law suits.
- Liebeck vs. McDonald’s, the “scalding coffee” case.
- The constitutional and society challenges in alcohol and tobacco advertising.
- “Polygamy Porter” and alcohol advertising’s effects on society; do alcohol ads really stimulate drinking?
- The South Carolina cigarette tax; the extensive lobbying here by the tobacco companies
- South Carolina’s health and cost issues with cigarettes

11/6 The Changing Workplace

- The Ford Motor Company; a company’s ethics in treatment of employees.
- The External forces shaping the U.S. workplace
- Off-shoring and outsourcing trends by multinational companies; how much longer will these trends last?
- Government intervention in company practices through regulations and NLRB involvement
- The “liberty of contract” doctrine.
- Employment-at-will; a uniquely U.S. doctrine that continues to draw criticism
- Worker protection outside the U.S. for U.S. citizens
- Workplace drug testing; the fine balance between privacy and safety
- Baseball and steroids video; how many chances should athletes be given?
- At USC, how should student-athletes be monitored for alcohol/drug use?
- Is the use of Adderall by students who are not prescribed that drug ethical?

11/11, 13 Civil Rights in the Workplace

History of civil rights in the U.S. and the history of discrimination on the basis of race, gender, age, and nationality.

The 1892 Supreme Court decision in Plessy vs. Ferguson, legalizing “separate but equal” treatment of the races, as to transportation. Applies to all other aspects of life.

1957- Little Rock confrontation, Arkansas Gov. Faubus refuses to permit black students entry into an all-white high school.

101st Airborne arrive the next day as escort; black students allowed to attend.

1964- Passage of the Civil Rights Act

1965- Pres. Johnson signs an Executive Order, 11246, requiring Affirmative Action -from companies that have government contracts

• Affirmative Action; the two University of Michigan decisions
• NBC video – Affirmative Action ruled legal by U.S. Supreme Court
• U.S. Supreme Court to decide Affirmative Action in 2012 term.
• Reverse discrimination; the Bakke decision
• Women at work – glass ceiling discrimination
• Sexual harassment; the difference between hostile environment and quid pro quo cases.
• Occupational segregation; why some occupations continue to be occupied by men or women exclusively
• Compensation; women continue to earn 75% of men’s pay. Why?
• Disparate treatment vs. disparate impact.

11/18/ 20/25 Corporate Governance CH 18

Review “Backdating Stock Options” handout

Backdating stock options; is it illegal?

• Handout “Backdating Stock Options”; even Steve Jobs got actively involved.
• What is the rationale for a stock option?
• What is Corporate Governance?
• Video “Executive Excess”, consultant Bud Graef concedes his methodology was largely responsible for CEO pay inflation.
• Federal regulation of governance
• Enron, Tyco, Adelphia, and WorldCom scandals; common denominators: CEO and CFO collusion.
• Sarbannes-Oxley Act; did it work?
• Boards of Directors; what are their duties. Inside, outside and independent directors differentiated.
• The Enron Board, and its dealings with CFO Fastow.
• Shareholders. Their rights and the “say on pay” movement.
• The purposes of the annual shareholder meeting.
• The Board of Directors; really representing the shareholders?

12/2       TEST 3 (covers CH 12 through CH 18)

GRADES

Your final grade will be the average of the three test scores, converted to the University’s alphabetic system, posted on VIP within one week of the final test.

HONOR CODE

You will be expected to abide by the USC Honor Code in this course.