

Executive Ethics
B7583
Professor Adam Galinsky

FOR BIDDING PURPOSES ONLY

Executive Ethics involves the ability to take the disparate value propositions of various stakeholders and integrate them into a coherent strategy/vision that helps executives and their organizations respond to a wide range of ethical challenges. Doing so requires the capacity to take a stand and to offer a coherent justification for one's decisions. The course helps you develop the ability to consider a wide-range of value perspectives and to integrate them when navigating through any ethical quagmire.

We will explore how recognizing and incorporating competing values claims throughout an organization and industry is often facilitated and hindered by a number of economic, psychological, organizational, and cultural processes. Industries, organizations, and individuals in the 21st century confront a daunting set of challenges. Increasing globalization means doing business in countries with radically different values. At the same time, public awareness and scrutiny of business practices has never been higher. Finally, the combination of technology, globalization and ever-present media has produced rapid cultural and ethical transformations. The focus of this course is on helping organizations and their leaders navigate this landscape and become more capable of designing procedures and processes to produce ethical outcomes.

This course will help you understand the range of underlying levers managers of organizations typically have at their disposal to successfully implement their value objectives, while anticipating the constraints of the organization's market and non-market environments. It will both provide self-insight and add depth to your perspective and understanding. Ultimately, you will be wiser after taking this class.

Because executive ethics cuts across every discipline in the school, this will class will be staffed by faculty across the school's divisions. Each faculty will tackle an important issue that their discipline and their expertise illuminate.

Date	PROF	Room	
1/12: 3:45-6:45	Adam Galinsky	WH 209	Inspiring Leaders and Key Value Propositions
1/26: 12:30-3:30	Christopher Mayer	WH 416	Corruptible Industries/Real Estate
2/2: 3:45-6:45	Oded Netzer	WH 416	Lying and Ethical Issues with Data and Analysis
2/9: 12:30-3:30	Bruce Kogut	WH 416	How Much Power Should a Shareholder Have?
2/16: 8:30-11:30	Modupe Akinola	WH 416	Stereotyping and Discrimination in Organizations
2/23: 12:30-3:30	Charles Angelucci	Uris 141	Anti-Trust and Business Ethics
3/2: 3:45-6:45	Bruce Usher	WH 416	Bribery and Corruption in Business
3/9: 8:30-11:30	Tomasz Piskorski	WH 416	Mortgage Market Reform: Lessons from the Housing Crisis
3/23: 3:45-6:45	Anne Heinrichs	Uris 141	Ethics in Finance & Accounting: Importance, Dilemmas, and (Re-)Solution
3/30: 8:30-11:30	Pierre Yared	WH 416	Income Inequality
4/6: 12:30-3:30	Michel Pham	WH 416	Market Manipulation & Marketing Ethics
4/27: 8:30-11:30	Adam Galinsky	Uris 141	Solving Ethical Dilemmas: Integration and Presentations

ASSIGNMENTS AND GRADING

- **Individual course contribution (30%):** Arrival on time to class, completion of pre-class surveys, engagement and participation in the classroom, and generally upholding the values of the Columbia Core Culture.

Pre-Class Surveys: Before each session, you will complete a brief pre-class survey that will help you prepare for the session. All pre-class surveys will be in a link in the calendar and under assignments.

Due Date: Each survey will be due on the Thursday night (11pm) before the session.

- **Reflection Papers (30%):** At four points in the class, you will reflect on the ethical insights and applications from previous sessions around a particular topic.

Length: Each paper will be a maximum of 350 words.

Due Dates and Topics:

- Inspiration and Deception: Due at 6pm on 2/08
- Power and Diversity: Due at 6pm on 2/22
- Financial Dilemmas: Due at 6pm on 3/29
- Markets and inequality: Due at 6pm on 4/12

- **This I Believe essay (10%):** Effective leaders define their own values, and they communicate their importance to others. To help you in this process, you will write a one-page essay that describes your personal credo and its significance. This assignment is based on the *This I Believe* radio program that reached 39 million listeners. On this broadcast, Americans— both well known and unknown—read five-minute essays about their personal philosophy of life. They shared insights about individual values that shaped their daily actions. The first volume of *This I Believe* essays sold 300,000 copies— more than any other book in the U.S. during that year except for the Bible.

Length: 350-500 words

Due Date: 6:00 pm, 3/8

Writing guidelines adapted from: <http://thisibelieve.org/guidelines/>

- **Tell a story:** Be specific. Take your belief out of the air and ground it in the events of your life. Consider moments when your belief was formed or tested or changed. Think of your own experience, work, and family, and tell of the things you know that no one else does. Your story need not be heart-warming or gut-wrenching—it can even be funny—but it should be *real*. Make sure your story ties to the essence of your daily life philosophy and the shaping of your beliefs.
- **Be brief:** Your statement should be between 350 and 500 words. That's about three minutes when read aloud at your natural pace.

- **Name your belief:** If you can't name it in a sentence or two, your essay might not be about a belief. Also, rather than writing a list, consider focusing on one core belief, because three minutes is a very short time.
 - **Be positive:** Please avoid preaching or editorializing. Tell us what you do believe, not what you don't believe. Avoid speaking in the editorial "we." Make your essay about you; speak in the first person.
 - **Be personal:** Write in words that are comfortable for you to speak. We recommend you read your essay aloud to yourself several times, and each time simplify it until you find the words, tone, and story that echo your belief and the way you speak.
- **Ethical Dilemma Team Project (30%):** You will be assigned to five-person teams to explore the ethical dilemmas that each of you have faced. For the team project, you will each write out an ethical dilemma you have or are currently facing at work; typically these are tensions between two or more conflicting values. You will then select the most vexing dilemma from your team. You will then prepare both a written analysis and a presentation for the final class about that selected dilemma. The written analysis and presentation should diagnose this dilemma and offer potential solutions. The written analysis should also include an integration of your team's collective dilemmas to capture key insights.

Length: 2,250-2,750 words

Due Date: Final Class, 4/27

Key Elements of the Team Paper

1. Introduction to your Main Dilemma

Describe the main dilemma you focused on. What is the context? Who are the major players? What was the key conflict?

2. Analyzing and Solving the Main Dilemma

Begin by considering the range of values at stake and how each perspective in the dilemma is justified. Consider all of the stakeholders and why their values conflict with one another. Identify those actors, if any, who behaved in an inspiring fashion and those that produced infuriation. For the inspiring actors, highlight what made their behavior so laudable. Similarly, for the infuriating actors, identify what prevented them from acting in the right way.

You should then organize and focus your analysis towards solving the dilemma. If you had to do it all over again, would you handle the dilemma in the same way? Finally, offer what you think is an ideal solution and explain why.

3. Dilemma Integration and Recommendations for CBS Students

You should consider the full range of dilemmas that members of your team wrote about and seek to integrate them to produce specific principles and lessons for being more ethical in the future. You should identify the similarities and differences in those dilemmas to draw general lessons about what behaviors and strategies

produce moral inspiration versus moral infuriation. Consider also how the context can change a behavior from being viewed as inspiring to infuriating. The goal is to develop a set of principles and processes that can help you resolve, in an inspiring way, a variety of dilemmas that you will face in the future. Offer concrete recommendations for being successful as an Ethical Executive.

4. Appendix: Dilemmas

Include a one or two paragraph description of each dilemma discussed in your team. **This is not part of the page limit.**

Key Elements of the Team Presentation: 10-Minute Presentation

The presentation will synthesize your team's paper. It should consist of five parts:

1. **The Context:** Briefly identify the key features of the dilemma
2. **The Dilemma:** Briefly identify the value tensions involved in the dilemma
3. **The Actual Solution** (if any): Describe what was done to resolve the dilemma.
4. **The Ideal Solution:** Describe what you think the ideal solution is. If the ideal solution was the actual solution explain why it was ideal. If the actual solution was not ideal or the dilemma has not been resolved, then articulate what would be the ideal solution and why it would be ideal.
5. **Key Principle:** Identify a key principle that will guide your future approach to ethical dilemmas.

Adam Galinsky
Inspiring Leaders and Key Value Propositions
1/12: 3:45-6:45

Learning Objectives:

- Understand the range of forces that produce moral inspiration versus infuriation
- Appreciate core value propositions that drive organizational and individual behavior
- Identify value conflicts and ways to resolve them

Session Description

This first session is structured around your experiences with inspiring and infuriating leaders. We will use those experiences to highlight the role of leadership in producing moral behavior. We will discuss what promotes morally inspiring behavior and why some leaders fall into the trap of moral infuriation. Our discussion will use historical insights to hone in on the heart of ethical dilemmas: Making tradeoffs between two deeply held values. This class will begin the process of building a framework for analyzing ethical dilemmas in your organization and in the classes that follow.

Reading assignment

- Machiavelli: The Prince (Chapters 15 & 18)
- Plato: The Republic (Book 2, Chapter 3)
- Abraham Lincoln, Letter to Horace Greeley
- Martin Luther King Jr., Letter from Birmingham City Jail
- Kidder: The Ethics of Right versus Right, Justice versus Mercy

Questions for Pre-Class Survey (complete online)

- Please describe a leader from your life that inspired you. This leader could come from your professional life or your personal life. Why did this leader inspire you? Please identify the behaviors, traits, or characteristics of this leader that made you feel inspired.
- Please describe a leader from your life that infuriated you. This leader could come from your professional life or your personal life. Why did this leader infuriate you? Please identify the behaviors, traits, or characteristics of this leader that made you feel infuriated.

Chris Mayer
Building an Ethical Reverse Mortgage Company
1/26: 12:30-3:30

Learning Objectives:

- Overcoming challenges building an ethical consumer financial services company in a disreputable business (reverse mortgages for homeowners age 62 and older)
- Develop strategies to serve a vulnerable population with consumer financial products
- Understanding potential conflicts of interest in offering retirement advice

Session Description

According to most commentators, Americans do not save enough money to adequately fund their retirement. Research shows that the elderly own almost \$7.0 trillion in home equity—housing is the largest asset for 90% of retirees--yet very few older households tap their home to help finance retirement. The mostly likely product to address this need, a reverse mortgage, has a very poor reputation, with consumer advocates claiming that lenders charge high costs and use sometimes deceptive advertising on television to reach consumers. (These concerns appear in multiple countries where reverse mortgages are sold.) There are many examples of misleading and unethical behavior in the consumer financial services industry from a variety of mainstream institutions like Wells Fargo and Lehman Brothers as well as a multitude of smaller payday, student loan, and auto lenders. This class session will explore the issues associated building and running a successfully consumer financial services company today serving a market with potentially vulnerable consumers (homeowners over age 62), considering examples and mini cases from the instructor's experience running a reverse mortgage lender, Longbridge Financial.

Reading assignments

- "Is Home Equity an Underutilized Retirement Asset?" By Steven A. Sass. In Boston College Center for Retirement Research, *Issue in Brief*, March, 2017, Number 17-6.
- "A closer look at reverse mortgage advertisements and consumer risks." Office for Older Americans, Consumer Financial Protection Bureau, June 2015.

Questions for Pre-Class Survey

- Have you heard of a reverse mortgage? If so, please briefly describe what you know about the product.
- Have you discussed retirement with your parents? What would you say if they came to you and asked whether you thought it would make sense for them to take out a reverse mortgage?

Oded Netzer
Lying and Ethical Issues with Data and Analysis
2/2: 3:45-6:45

Learning Objectives:

- How data and analysis can provide alternative truths
- “Lies, damned lies, and statistics” how to become a fierce interrogator of data
- Considering ethical issues with Big Data and Artificial Intelligence.

Session Description

In this session we will learn how data and analysis can lead to different and often opposing insights. We will also learn how to become fierce integrators of data to identify such possible pitfalls. Finally, we will investigate the ethical issues involved in Big Data and Artificial Intelligence with a case study on identifying loan defaults from the text that borrowers write.

Questions for Pre-Class Survey (complete online)

- Please provide one example from the media or your own experience that matches Mark Twain’s quote “There are three types of lies: lies, damned lies, and statistics”. Please be specific about the data and analysis that was used and why you believe it was deceptive.

Bruce Kogut
How Much Power Should a Shareholder Have?
2/9: 12:30-3:30

Learning Objectives:

- Governance as power in the public and private company
- Conflicts in fiduciary responsibilities
- In whose interest governs the board? Shareholders or society?

Session Description

CEOs exert a large influence over firms, as they have both explicit legal authority within the firm and “soft” influence to direct corporate behavior. In the past two decades, the successes of a new wave of superstar firms have often been attributed to their visionary leaders and founders. It has been a tough question in corporate governance as how to give the powerful CEOs the maximum freedom and flexibility to unleash their creativity and long-term vision, while having in place the necessary checks and balances that safeguard shareholder welfare.

Uber Technologies is a start-up that has aggressively sought market share and financing. Its dynamic CEO Travis Kalanick has lost his garlands, as he and his company made a number of ethical transgressions. Having lost his position as the CEO of the company, he wants to work his way back into controlling the company, but faces legal and governance obstacles by some investors who wish to stop him. The ever imminent IPO looks to be in risk.

Reading assignment

- *The Uber Board Deliberates: Is Good Governance Worth the Firing of an Entrepreneurial Founder?* Columbia CaseWorks, ID #000000

Questions for Pre-Class Survey (complete online)

1. How far should the board extend governance into the decisions of management for a private firm?
2. Were there violations of good governance?
3. As a board member, did you have enough information to make a decision regarding the future of Kalanick? What you have liked to know more?

Modupe Akinola
Stereotyping and Discrimination in Organizations
2/16: 8:30-11:30

Learning Objectives:

- Explore the role stereotyping and discrimination play in organizational life
- Discuss individual and organizational structures and processes that can amplify and mitigate discrimination in organizations
- Identify strategies to employ as a potential target of stereotyping and discrimination

Session Description

Despite laws that protect the rights of employees, discrimination persists in 21st century organizations. In this session we will examine individual, group, and organizational-level factors that can influence discrimination in the workplace. Specifically, we will explore how social categories can perpetuate the use of stereotypes and examine how these stereotypes can manifest in the form of prejudice and discrimination at critical junctures in an individual's career. We will also explore strategies individuals, groups, and organizations can use to combat workplace discrimination.

Reading assignment

- Ann Hopkins Case Study
- Take an implicit bias test (<https://implicit.harvard.edu/implicit/takeatest.html>)

Questions for Pre-Class Survey (complete online)

- What factors contributed to Ann Hopkins' treatment at Price Waterhouse? What could Price Waterhouse have done differently?
- How have stereotypes affected you personally?
- What approach should organizations take to better manage diversity?

Charles Angelucci
Anti-Trust and Business Ethics
2/23: 12:30-3:30

Learning Objectives:

- Gain familiarity with the main antitrust laws and the purpose they serve
- Analyze in detail two major antitrust cases and form an opinion as to whether the various parties involved behaved ethically
- Understand antitrust compliance programs and the DOJ's Leniency Program

Session Description

Antitrust Laws -- broadly interpreted -- ensure companies do not engage in practices that impair competition and harm consumers. The distinction between lawful and unlawful behavior is often blurry, especially for executives of large companies with market power. What is ordinarily thought as ethical behavior may be found unlawful in a court of justice. Executives can be personally liable and sanctions are often large. Companies increasingly adopt antitrust compliance programs. This class aims at explaining why Antitrust Laws exist and at familiarizing students with their main provisions. We will briefly review the two main types of conducts under scrutiny: horizontal agreements (e.g., cartels) and vertical agreements (e.g., exclusive contracts that aim at foreclosing rivals). We will then analyze two major antitrust cases: *United States v. Apple Inc.* and *United States v. Microsoft Corp. (2001)*. We will engage in role-playing: groups of students will act as lawyers defending the various parties involved. We will conclude by reviewing the Department of Justice's flagship *Leniency Program*, whereby executives and companies receive amnesty in exchange for cooperating with the DOJ.

Reading assignment

- An Antitrust Primer for Federal Law Enforcement Personnel

Questions for Pre-Class Survey (complete online)

- Which in your opinion constitute the most serious types of antitrust infringements?
- Have you worked for a company that explicitly trained its employees about antitrust laws?

Bruce Usher
Bribery and Corruption in Business
3/2: 3:45-6:45

Learning Objectives:

- Understand why corruption is a problem
- Evaluate business scenarios involving bribery and corruption
- Consider business strategies to deal with demands for bribery and corruption

Session Description

Bribery and corruption is, unfortunately, common in many developing countries, and is often considered “business as usual”. But for companies operating internationally, bribery and corruption are a challenge that must be managed, just like any other management challenge. This session will explain why corruption is a problem, consider a variety of situations involving corruption or bribery, and discuss ways in which businesses can manage demands for bribes.

Reading assignment

- Ziqitza Health Care Limited: Responding to Corruption

Questions for Pre-Class Survey (complete online)

- List three reasons for paying the bribe demanded of Ziqitza. List three reasons for not paying the bribe.
- Should Ziqitza pay the bribe? (you must answer this question with a yes/no response)?

Tomasz Piskorski
Mortgage Market Reform: Lessons from the Housing Crisis
3/9: 8:30-11:30

Learning Objectives:

- Overview of what we have learned from the recent crisis
- Discuss mortgage market reform proposals
- Discuss importance of the ethical factors in mortgage market reform

Session Description

This session will explore two crucial issues surrounding the recent housing market crisis. First, we will identify the key factors that contributed to the severity of the foreclosure crisis. Second, we will draw implications from this evidence for mortgage market reform. In doing so, we will emphasize the importance of ethical considerations in building a better housing finance system for the future.

Reading assignment

- Piskorski, Tomasz, Amit Seru, and James Witkin, "Asset quality misrepresentation by financial intermediaries: Evidence from the RMBS market," *The Journal of Finance*, 2015, 70 (6), 2635–2678.

Questions for Pre-Class Survey (complete online)

- In your view, what is the main factor that caused the recent housing crisis?

Anne Heinrichs
Ethics in Finance & Accounting: Importance, Dilemmas and (Re-)Solutions
3/23: 3:45-6:45

Learning Objectives:

- Understand the major moral tensions in Finance and Accounting
- Heighten your awareness of ethical issues (dilemmas), commitment to norms/values and sense for organizational ethics and corporate governance
- Increase your skill and knowledge to make ethical decisions and (re-)solve challenging situations

Session Description

Using a mix of real-life examples, mini-cases, class-discussions and lecture-based content, our class explores a variety of ethical considerations in finance and accounting. After brainstorming and creating an overview of major ethical aspects in capital markets, corporate finance and taxation, we will investigate the moral tension fields that give rise to dilemmas, look inside the mind of white-collar criminals, and sharpen our recognition of conflicts of interest and our understanding of fiduciary duty. The concept of organizational ethics and the importance of corporate governance (e.g. code of ethical conduct) are discussed as critical elements of organizational culture, and we learn about frameworks (e.g. ...), regulatory arrangements (e.g. whistleblowing offices) and associations/organizations that assist in ethical decision making and (re-)solving challenging situations.

Research Assignment (instead of Reading Assignment) and Questions for Pre-Class Survey
(complete online)

Part 1: Does your company have a code of conduct?

- If yes, find out: (1) what main topics the code covers, (2) who enforces it (and how), (3) whether it is periodically reviewed and (4) if it has been updated over the past 5 years. (5) Can you think of improvements to the existing code?
- If no, try to find out (from e.g. HR/Compliance/C-Suite): (1) why there is no code, (2) who decided to not implement one and (3) whether your main competitors have one. (4) Can you think of specific situations in your company where a code of conduct would have been helpful?

Part 2: Imagine one of the following 3 scenarios:

- You hire an accountant to help with your tax return
- You sign the contract of a new investment firm that is going to manage your funds
- You consult with a research analyst about new investment opportunities

Question 1: As a client, list 5 goals/values (max. 3 words per goal/value) that motivated you to engage the advisor

Question 2a: As a client, list 5 character-attributes (max. 3 words per character-attribute)

that best describe the expectations you have about your advisor's behavior throughout the engagement.

Question 2b: As a non-client but as a taxpayer and capital market participant (i.e. as someone who might be indirectly affected by the advisor's decisions for his clients): would your 5 character-attributes from Question 2a change? If yes, list your revised 5 character-attributes (max. 3 words per revised character-attribute)

Pierre Yared
Income Inequality
3/30: 8:30-11:30

Learning Objectives:

- Explore how income inequality is measured and why it matters
- Stimulate discussion on the underlying sources of inequality
- Discuss appropriate policy responses, focusing specifically on estate taxation

Session Description

This lecture focuses on income inequality. We first address how income inequality is measured and why growing income inequality in the U.S. and other countries may be problematic. We then examine the potential causes of growing income inequality as well as various policies which address the issue. We conclude by considering the merits and drawbacks of estate taxation as a means of reducing inequality

Reading assignment

- Inequality and Globalization, HBS Case
- The Estate Tax Debate, HBS Case

Questions for Pre-Class Survey (complete online)

First Case:

- Which is a greater concern: poverty or inequality? Should we be concerned with rising inequality in the U.S.?
- What are the causes of rising inequality in the U.S.?
- What policy responses are appropriate?

Second Case:

- What is the right rate and exemption level for the estate tax?
- Why is support for the estate tax not greater among the middle class?

Michel Pham
Market Manipulation & Marketing Ethics
4/6: 12:30-3:30

Learning Objectives:

- Discuss major ethical issues raised by marketing practices, strategies and tactics (e.g., false advertising, price discrimination, customer privacy, customer manipulation)
- Provide a framework for analyzing ethical issues in marketing

Session Description

Marketing practices can potentially raise a variety of ethical issues. These include deceptive advertising, price gouging, price discrimination, customer privacy, questionable sales tactics, gray marketing, product knockoffs, and trademark infringements, among others. This interactive session will provide a framework for structuring and addressing the various ethical issues that modern marketers face. This framework will be discussed in relation to a variety of real-life examples and case studies from diverse industries.

Reading assignment

- N. Craig Smith, *"Ethics and the Marketing Manager,"* in N. Craig Smith and John Quelch, *Ethics in Marketing*, Boston, MA: Richard Irwin, 1993

Questions for Pre-Class Survey (complete online)

- Among the various ethical issues that marketing raises, which one(s) is(are) the most critical in your opinion
- Why?
- How do you suggest we address them?

Adam Galinsky
Solving Ethical Dilemmas: Integration and Presentations
4/27: 8:30-11:30

Learning Objectives:

- Establish frameworks for resolving a range of ethical dilemmas
- Develop key principles for ethical dilemmas by considering ideal solutions for past dilemmas

Session Description

This final class will consist of your presentations describing the most vexing dilemma from your team and offering both an ideal solution and a key principle going forward.

Key Elements of the Team Presentation: 10-Minute Presentation

The presentation will synthesize your team's paper. It should consist of five parts:

1. **The Context:** Briefly identify the key features of the dilemma
2. **The Dilemma:** Briefly identify the value tensions involved in the dilemma
3. **The Actual Solution** (if there was an action taken): Describe what was done to resolve the dilemma.
4. **The Ideal Solution:** Describe what you think the ideal solution is. If the ideal solution was the actual solution explain why it was ideal. If the actual solution was not ideal or the dilemma has not been resolved, then articulate what would be the ideal solution and why it is ideal.
5. **Key Principle:** Identify a key principle that will guide your future approach to ethical dilemmas.