The Corporation in Society

Strategy 411
Fall, 2006

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Class Schedule

We will meet in E1550 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 their shareholders. A broad framework for understanding the role that companies play in society, and the expanded role that they are being asked 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 consider these challenges and work to develop a philosophy of management that will guide day-to-day decision making for 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 treated as extraneous to the purview of the firm. Government may step in with its regulatory apparatus if firms cause trouble but as whole, the U. S. government, for example, has worked to enable fairly 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 fairly peripheral to business life. This 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 might 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 (largely American corporations at this point) as they choose to act or not act in our social and environmental world. 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 both 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 all develop a quality of mind and a philosophy of management that will help us work our way through these issues in the coming years. 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. All of the course requirements are designed to pique our particular interests, to develop our critical thinking capabilities, to enable us learn from each other, and to help us reach out to the world.

**Debate Preparation:** We will hold our own great debate about the purpose of the firm in class on September 18th. I have assigned many of the classic readings to help you prepare. I would like you to work with your colleagues to develop a two or three page outline of: a) your major points; b) your anticipated rebuttals; and c) your response to these rebuttals. All three themes (a, b, and c) must be addressed in the outline. The operative word is “outline.” There is no need to turn these ideas into prose. An outline is sufficient.

**Stakeholder Analysis:** We will select an interesting company as a class and share our stakeholder analyses with each other in special evening session on October 26th. With partners, you will look at the company 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 its
sources of power; and in the case of all but the senior management, d) appraise the senior managers’ likely view of them. Prepare a one-page executive summary of your analysis and a 10-minute formal presentation to share with the class on October 26th.

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 formally 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 financial returns. You can share your example of this seemingly “enlightened” behavior for one of our “mechanisms” classes on either September 25th, September 27th, or October 2nd. Others of you will do this same exercise later on in the course. The difference is that I would like you to shift gears and find examples of abusive corporate behavior. Look for examples of the sometimes harmful and dangerous effects that corporate practices can have on its employees, customers and community (November 6th, 8th and 13th).

An Op-Ed Essay: I would like you to write a 750-word Op-Ed essay for a newspaper of choice somewhere in the world. Find a newsworthy topic related to what we have considered in the class and then develop your point of view in a crisp and compelling fashion. The final product will include both the essay and your submission letter to the newspaper. This will be due in class on Wednesday, December 6th. Use David Shipley’s February 1, 2004 article in the New York Times as your guide (“And Now a Word from Op-Ed”).

This I Believe: Originated in the 1950s, National Public Radio recently brought back the “This I Believe” radio series. I would like to close the class by having you each write a 350 to 500 word essay for the series. This assignment asks you to crisply and compellingly articulate your fundamental beliefs. Obviously, I hope that our time together will inform what you have to say. Having said that, your essay will not about the course per se. Rather, it is about you. Reflect upon our time together and think about your fundamental beliefs. Embrace the assignment with complete seriousness. Submit your essay to NPR. You can either submit it to them when you submit it to me or if you choose, wait for some feedback from me and then send it off. Either way, I would like you to share your beliefs with the world. This is due on December 18th. Here is the link to NPR’s website and your instructions for writing the essay: http://www.npr.org/thisibelieve/about.html

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 one discussion question for each class (whether you choose to attend class or not). Inspired by your reading of the day’s course material, it should lead us all to a deeper understanding of the issues in play. Please submit it to me by e-mail no later than 8:00pm on the day before each class (there may be times when this assignment is suspended). I will not read questions submitted after class. I will compile them and find a way for us to consider many, if not all, of your discussion themes in class. Your contribution to our learning will be assessed in two different ways. I will broadly evaluate the quality of your discussion questions. At the end of the course I will also ask your peers to take stock of your contributions to their learning.
Course Grading

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<tr>
<td>Discussion Questions</td>
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<td>Debate Preparation</td>
<td>10%</td>
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<td>Stakeholder Analysis</td>
<td>10%</td>
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<td>Theory-in-Practice Illustration</td>
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<tr>
<td>Op-Ed Essay</td>
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Class Attendance Policy

Quite obviously, class attendance is an integral part of our course experience. I assume that everyone wants to attend every class. We all lose if you decide to spend your time elsewhere. We will determine our attendance policy as a class.

Reading Materials

The password-protected Strategy 411 CTools website contains most of the materials for the class. Nevertheless, please purchase our small course pack. It contains the following cases:

- Charles Veillon, S. A. (A)
- The SBC Foundation
- The AT&T Foundation
- IBM On Demand Community
- The Museum of Fine Arts, Boston/Fleet Financial Group Sponsorship of the Monet in the 20th Century
- Expanding the Playing Field: Nike’s World Shoe Project (A)
- Project Impact: The Affordable Hearing Aid Project

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. Please see http://www.bus.umich.edu/Academics/Resources/communityvalues.htm if you have any questions about the code or our expectations of each other.

Class Schedule and Assignments

September 6, 2006  Society’s Woes

Reading:


September 11, 2006  Business’ Challenges
Reading:

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 13, 2006  Theories of the Corporation

Reading:

September 18, 2006  The Theoretical Debate: To Invest or Not?

Reading:
  - vs.

September 20, 2006  Making the Business Case

Reading:

Reading:

**September 27, 2006  Mechanisms: Marketing**

Reading:

**October 2, 2006  Mechanisms: Strategy**

Reading:

**October 4, 2004  Investments: “Buy” Initiatives**

Reading:

Case:
- The SBC Foundation
- The AT&T Foundation
  - Assess each foundation’s purpose and the coherence of its strategy.
  - How do you evaluate their performance?
  - How would you improve their performance?

**October 9, 2006  Investments: “Make” Initiatives**

Reading:

Case:
• IBM On Demand Community
  o What is IBM trying to achieve here?
  o How do you define “success” … and how do you know if you achieved it?

October 11, 2006   Investments: “Hybrid” Initiatives

Reading:

Case:
• The Museum of Fine Arts, Boston/Fleet Financial Group Sponsorship of the Monet in the 20th Century
  o Why did the MFA and Fleet launch this partnership?
  o How do you assess the results of their work?
  o What do you think each partner learned from this experience?

October 16, 2006   No Class

October 18, 2006   Toward a New Model

Reading:

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

October 23, 2006   No Class

October 25, 2006   No Class

October 26, 2006   Stakeholder Management I, II, and III -- special evening class --

Case:
• Corporation to be Determined

Reading:
October 30, 2006  Compassionate Capitalism

Case:
- Project Impact: The Affordable Hearing Aid Project
  - How does David Green create value, and how and by whom is value captured?
  - What objective function is David Green trying to maximize? Is he successful?
  - Is it okay to sell Aurolab products in the US at US prices?

Reading:

November 1, 2006  Society’s Protest

Readings:

November 6, 2006  Corporate Social Irresponsibility

Reading:

Case:
- Nestlé and Infant Formula Marketing
  - Nestlé was founded in 1867 to manufacture infant formula. Why have they “allowed” this controversy to persist for the past 35 years?
  - Could Nestlé redeem itself by donating infant formula to mothers in the developing world who are infected with the AIDS virus?

November 8, 2006  A Look at Tobacco

Guest:
- Dean Robert Dolan

November 13, 2006  Employee Consequences

Reading:

**November 15, 2006  Customer Consequences**

**Reading:**

**November 20, 2006  Community Consequences**

**Reading:**

**November 22, 2006  No class**

**November 27, 2006  Corporate Governance**

**Reading:**

**November 29, 2006  Accountability and Internal Control**

**Reading:**

**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?

December 4, 2006  Accountability and External Control

Reading:

Case:
• Coca-Cola India
  o What are Sanjiv Gupta’s key short term and long term problems?
  o Could Coca-Cola have avoided this crisis?
  o What should Sanjiv Gupta do now?

December 6, 2006  Leadership in a “Callous” World

Reading:

Class Exercise:
• Strategic Choices in Global Telecommunications

December 11, 2006  Leadership in a “Compassionate” World

Reading:

December 13, 2006  Personal Implications

Reading:
• “Statement by Alabama Clergymen.”  April 12, 1963