

# **The Corporation in Society**

Strategy 411  
Fall, 2008

## **Professor Jim Walsh**

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## **Class Schedule**

We will meet in W0750 on Monday and Wednesday mornings from 10:00am to 11:30am.

## **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 15th**. I have assigned many of the classic readings to help you prepare. I would like you to work with your colleagues to synthesize the various arguments and then 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 to examine as a class and share our stakeholder analyses with each other in special evening session **in W2740 on October 23rd**. 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 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 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 performance. You can share your example of this seemingly "enlightened" behavior for one of our "mechanisms" classes **on September 27th, September 22nd, and September 29th**. 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 10th, 12th and 17th**).

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. Your discussion questions will give you solid clues about what is worth investigating in this way. The final product will include both the essay and your submission letter to the newspaper. This will be due on **December 4th**. 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 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 12th**. Here is the link to NPR's website and your instructions for writing the essay: <http://www.npr.org/thisibelieve/about.html>. You might also find the recently published compilation of essays to be helpful:

- Allison, J. and Gediman, D. 2007. *This I Believe*. New York: Holt Paperbacks.

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, your question will likely contain both your reaction to the reading, as well as the specific question it engenders. Your questions will lead us all to a very deep understanding of the issues in play each week. Please submit your question to me by e-mail no later than 8:30pm 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, **your peers will also take stock of your contributions to our learning.**

## Course Grading

Discussion Questions	35%
Peer Review	15%
Debate Preparation	10%
Stakeholder Analysis	10%
Theory-in-Practice Illustration	10%
Op-Ed Essay	10%
This I Believe	10%

## **Class Attendance Policy**

Quite obviously, class attendance is an integral part of our course experience. I assume that everyone wants to attend every class. If not, you should enroll in a different course, one that better captures your interests. Obviously, 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 20<sup>th</sup> 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. You are to write your daily discussion questions, the Op Ed piece, and your "This I Believe" essay entirely on your own. Absent some unique circumstance (that we all discuss) 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 <http://www.bus.umich.edu/Academics/Resources/communityvalues.htm> if you have any question about the code or our expectations of each other.

## **Students with Disabilities**

Please let me know at your earliest convenience 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 us determine appropriate accommodations. Of course, I will treat any information you provide as private and confidential.

## **Class Schedule and Assignments**

## **September 3, 2008 Society's Woes**

### **Reading:**

- Bok, D. 2005. Purposes. *Our Underachieving Colleges: A Candid Look at How Much our Students Learn and Why They Should be Learning More*, (pp. 58-81). Princeton, NJ: Princeton University Press.

## **September 8, 2008 Business' Challenges**

### **Reading:**

- Annan, K. 2001. "The 'unparalleled nightmare' of AIDS." Speech to the US Chamber of Commerce, June 1.
- Kai-yu 2005. "Is there social justice?" In *Photo Voices: Shenzhen Workers Speak*, (pp. 82-87). Oxfam Hong Kong.

### **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 10, 2008 Theories of the Corporation**

### **Reading:**

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

## **September 15, 2008 The Theoretical 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.
- vs.
- Dodd, E. Merrick, Jr. 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.

## **September 17, 2008 Making the Business Case**

### **Reading:**

- Tichy, N. M., McGill, A. R. and St. Clair, L. 1997. "An agenda for corporate global citizenship." In *Corporate Global Citizenship: Doing Business in the Public Eye*, (pp. 1-22). San Francisco: New Lexington Press.
- Margolis, J. D. and Walsh, J. P. 2003. "Misery loves companies: Rethinking social initiatives by business." *Administrative Science Quarterly*, 48: 265-305.
- Meston, C.M. and Buss, D.M. 2007. "Why humans have sex." *Archives of Sexual Behavior*, 36:477-507. [Skim]

## **September 22, 2008 Mechanisms: Human Resource Management**

### **Reading:**

- Greening, D. W and Turban, D. B. 2000. "Corporate social performance as a competitive advantage in attracting a quality workforce." *Business and Society*, 39: 254-280.
- Bhattacharya, C.B., Sen, S. and Korschun, D. 2008. "Using corporate social responsibility to win the war for talent." *Sloan Management Review*, 49(2): 37-44.

## **September 24 2008 Mechanisms: Marketing**

### **Reading:**

- Ginsberg, J.M. and Bloom, P. N. 2004. "Choosing the right green marketing strategy." *Sloan Management Review*, 46: 79-84.
- Orenstein, S. 2003. "The selling of breast cancer." *Business 2.0*, February: 88-94.

## **September 29, 2008 Mechanisms: Strategy**

### **Reading:**

- Porter, M.E. and Kramer, M. R. 2006. "Strategy and society: The link between competitive advantage and corporate social responsibility." *Harvard Business Review*, December.
- Schneitz, K. E. and Epstein, M. C. 2005. "Exploring the financial value of a reputation for corporate social responsibility during a crisis." *Corporate Reputation Review*, 7: 327-345.

## **October 1, 2008 Investments: "Buy" Initiatives**

### **Reading:**

- Tierney, T. J. 2007. "Higher impact philanthropy: Applying business principles to philanthropic strategies." *Philanthropy*, February 14.

### **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 6, 2008 Investments: "Make" Initiatives**

### **Reading:**

- Kanter, R. M. 1999. "From spare change to real change: The social sector as beta site for business innovation." *Harvard Business Review*, 77: 122-132.

**Case:**

- IBM On Demand Community
  - What is IBM trying to achieve here?
  - How do you define “success” ... and how do you know if you achieved it?

**October 8, 2008      Investments: “Hybrid” Initiatives**

**Reading:**

- Austin, J.E., Gutiérrez, R., Ogiastri, E. and Reficco, E. 2007. “Capitalizing on convergence.” *Stanford Social Innovation Review*, Winter: 24-31.

**Case:**

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

**October 13, 2008      No Class**

**October 15, 2008      No Class**

**October 19, 2008      Stakeholder Management discussion question due (for our special October 23<sup>rd</sup> class)**

**October 20, 2008      Fall Break - No Class**

**October 22, 2008      Toward a New Model**

**Reading:**

- Prahalad, C.K. and Hart, S. 2002. “The fortune at the bottom of the pyramid.” *Strategy + Business*, 26: 54-67.

**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 23, 2008      Stakeholder Management I, II, and III - special evening class in W2740 –**

**Case:**

- To Be Determined

**Reading:**

- Freeman, R. E., Harrison, J.S. and Wicks, A.C. 2007. “The basic framework.” In *Managing for Stakeholders: Survival, Reputation and Success*, (pp. 47-73). New Haven, CT: Yale University Press.
- Walsh, J. P. 2005. “Taking stock of stakeholder theory.” *Academy of Management Review*, 30: 426-438.

## **October 27, 2008      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:**

- Martin, R and Osberg, S. 2007. "Social entrepreneurship: The case for definition." *Stanford Social Innovation Review*, Spring: 28-39.

## **October 29, 2008      Society's Protest**

### **Readings:**

- Speth, J. G. 2008. "Modern capitalism: Out of control." In *The Bridge at the Edge of the World*, (pp. 46-66). New Haven, CT: Yale University Press.
- Levitt, T. 1958. "The dangers of social responsibility." *Harvard Business Review*, September-October: 41-50.

## **November 3, 2008      A Look at Tobacco**

### **Guest:**

- Dean Robert J. Dolan

### **Reading:**

- Byrne, J.A. 1999. "Philip Morris: Inside America's most reviled company." *Business Week*, November 29.
- Dolan, R.J. 1998. "Written Testimony." USA vs. Phillip Morris.

## **November 5, 2008      Corporate Social Irresponsibility**

### **Reading:**

- Klein, N. 2000. "Bad mood rising: The new anticorporate activism." In *No Logo*, (pp. 325-344). New York: Picador.

### **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 10, 2008      Employee Consequences**

### **Reading:**

- Rosen, M. 1988. "You asked for it: Christmas at the bosses' expense." *Journal of Management Studies*, 25: 452-480.

- Barker, J. R. 1993. Tightening the iron cage: Concertive control in self-managing teams. *Administrative Science Quarterly*, 38: 408-437. [Skim 414-432]

### **November 12, 2008 Customer Consequences**

#### **Reading:**

- Schor, J.B., and Ford, M. 2007. "From tastes great to cool: Children's food marketing and the rise of the symbolic." *Journal of Law, Medicine & Ethics*, 35 (1): 10-21.
- Cross, G. 2007. "Toy for saps." Op Ed Contribution, *New York Times*, September 16.

### **November 17, 2008 Community Consequences**

#### **Reading:**

- Dobbs, L. 2004. "Assault on middle class Americans." In *Exporting America: Why Corporate Greed is Shipping American Jobs Overseas*, (pp, 7-19). New York: Time Warner Book Group.
- Blinder, A. 2006. "Offshoring: The next industrial revolution?" *Foreign Affairs*, 85 (2): 113-128.

### **November 19, 2008 Accountability and 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 24, 2008 Accountability and External Control**

#### **Reading:**

- Spar, D. L. and LaMure, D. T. 2003. "The power of activism: Assessing the impact of NGOs on global business." *California Management Review*, 45: 78-101.

#### **Case:**

- The Caring Company Scheme

### **November 26, 2008 No Class**

### **December 1, 2008 Leadership in a "Callous" World**

#### **Reading:**

- Wind, Y. and Crook, C. 2006. "Running the miracle mile." *The Power of Impossible Thinking: Transform the Business of Your Life and the Life of Your Business*, pp. 21-35. Philadelphia, PA: Wharton University Press.

#### **Class Exercise:**

- Strategic Choices in Global Telecommunications

### **December 3, 2008      Leadership in a “Compassionate” World**

#### **Reading:**

- *Fortune* 1999. “The Green CEO,” May 24: 190.
  - Anderson, R. 2005. “On responsibility in the private sector.” Keynote speech, Second International Conference on Gross National Happiness, June 22, Halifax, Nova Scotia. [If interested]
- Sull, D. N. 1999. “The dynamics of standing still: Firestone Tire and Rubber and the radial revolution.” *Business History Review*, 73: 430-464.

### **December 8, 2008      Personal Implications**

#### **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.
- Williams, J. 2007. “When ordinary people achieve extraordinary things.” In *This I Believe*, (Jay Allison and Dan Gediman, Eds.), pp. 257-259. New York: Holt Paperbacks.