

Peter F. Drucker and Masatoshi Ito Graduate School of Management
CLAREMONT GRADUATE UNIVERSITY

MGT 315: Morality and Leadership

Professor Jeff Decker
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The central, recurring themes of the course are captured by two fundamental questions: what leads to outstanding performance as an organizational leader; and, faced with conflicting basic responsibilities, uncertainty, relentless competition, and a morally imperfect world, how can a leader create a high-performing organization and still live an honorable life with integrity?

The course begins with a study of contrasting views of how leaders can best overcome the inertial forces of organizational fragmentation and bureaucracy in order to implement their strategies successfully. Each of these views of executive leadership is grounded in a long intellectual tradition. Each gives a different and yet internally consistent and persuasive answer to the question of what distinguishes outstanding managers from their run-of-the-mill counterparts. Our purpose in studying these views is not to enable us to pigeon-hole leaders according to their "style," but to gain greater insight into the basic choices managers must make in addressing critical, yet fundamental, dilemmas. A recurring question we will ask ourselves is whether a manager's predisposition toward resolving these dilemmas consistently in one way or another makes a difference in his or her ability to lead an organization to exceptional performance. The dilemmas we will study can be broadly classified into five areas (see the reading "Recurring Managerial Dilemmas" for descriptions of these dilemmas):

- Clear and Precise Versus General and Flexible
- Top-Down Versus Bottom-Up
- Substance Versus Process
- Conflict Resolution: Confrontation Versus Compromise
- Tangibles Versus Intangibles

A manager's preconceived bias towards resolving these dilemmas reflect and form the foundation of his or her management philosophy. As we discuss the conflicting advice each view of leadership gives for resolving these dilemmas, it is hoped that you will test your own personal assumptions and beliefs about effective management against the arguments posed by each of the three views, and in doing so you will further the development of your own philosophy of management.

The second half of the course explores the moral dimension of executive leadership in greater depth. Leaders cannot avoid difficult moral issues – they go with the territory. Leadership, by definition, affects the lives of others both within the organization and outside it. Thus, it inherently has moral ramifications. For example, leadership is inextricably linked to achievement of collective purpose, and the quality of this purpose can stimulate the moral aspirations of the group. By seeking to satisfy authentic needs and to energize the higher aspirations and values of their “followers,” effective leaders can engage more of their followers’ full selves in the common cause. Furthermore, a leader must ultimately be judged by the actual constructive change the organization achieves as measured by the satisfaction of human needs and by how people within the organization conduct themselves in the pursuit of its purpose. These are moral consequences, and they are the cornerstones of outstanding leadership.

James McGregor Burns, in his pathbreaking book *Leadership*, called this cycle of cause and effect “transforming leadership” and observed that it results in:

a relationship of mutual stimulation and elevation that converts follower into leaders and may convert leaders into moral agents. . . . Leaders and followers raise one another to high levels of motivation and morality. . . . [This] transforming leadership ultimately becomes *moral* in that it raises the level of human conduct and ethical aspiration of both leader and led, and thus it has a transforming effect on both. Perhaps the best modern example is Gandhi, who aroused and elevated the hopes and demands of millions of Indians and whose life and personality were enhanced in the process. Transcending leadership is dynamic leadership in the sense that the leaders throw themselves into a relationship with followers who will feel “elevated” by it and often become more active themselves, thereby creating new cadres of leaders. . . . That people can be lifted *into* their better selves is the secret of transforming leadership.

In seeking to both better understand the linkage of leadership and ethics and to improve your competence as a leader, a central objective of the course is to develop *your* analytical and judgmental skills in dealing with gray situations involving moral and managerial dilemmas. Integrally related to this objective is the examination of the relationship of ethical behavior to (1) organizational performance, (2) one's effectiveness as a leader, and (3) at a very personal level, building a life of integrity and character. Consequently, this course is an examination both of the ethical dimensions of leadership from a philosophical perspective of moral reasoning and of pragmatic issues concerning personal and organizational performance.

Course Requirements and Performance Evaluation

All members of the class will be expected to study each of the assigned cases and be prepared to discuss them in class sessions. Because of the nature of the learning process in this course, your preparation, participation in our discussions and attendance in class is critically important. Consequently, absences from class will affect your class participation grade. *More than two absences will result in a withdrawal from or failure of the course.*

If you must miss a class, please notify my office in advance. In the event you miss a class, you will be required to submit a four-page typed paper responding to a subset of the questions in the syllabus for the missed session. These questions can be obtained by contacting me by e-mail. The paper is due the next class session.

In addition, you have the option of (1) writing one paper during the term plus writing a final examination or (2) writing a final examination only. The optional paper assignment is on the next page of this syllabus.

The final examination is scheduled for Wednesday, December 19, 2007 at 7:00 p.m. It will be a three-hour, open-book, written examination.

Performance will be evaluated based on the following criteria:

Option 1:

	<u>Weight</u>
Class participation	50%
Final Examination	40%

Option 2:

	<u>Weight</u>
Class participation	40%
Final Examination	30%
Optional Paper	20%

These weights add only to 90%. The other 10% will be allocated to the area in which you do the best.

I will be happy to discuss the course, your progress, or any other issues of concern to you on an individual basis. Appointments can be made directly with me by e-mail (jeffreydecker@msn.com) or by telephone (714) 394-5665.

Optional Paper Assignment

Due Date: Wednesday, October 17, 2007

On Wednesday, October 17, an optional paper will be due. If you chose this option, please write a paper responding to the following questions. The text should not exceed eight typed (12 point), double-spaced pages. In justifying your argument, please incorporate the ideas from at least two authors not assigned for the course. **What is important is your thinking and the quality of the support for your thinking, not the "party line" as specified by the reading materials or the instructor.**

Select the one dilemma (among the five dilemmas discussed in the course) that you find the most important to effective executive leadership and to organizational performance. For your chosen dilemma, please answer the following questions:

1. Why is it the most important of the five dilemmas?
2. What are the most critical aspects of this dilemma (i.e., what makes it a critical managerial dilemma)?
3. Would an executive's predisposition to act in accordance with one side of the dilemma or the other be more likely to enhance the long-term performance of his or her organization? Why or why not? Please be specific.
4. What are the most critical assumptions underlying your conclusion in "3" above?

Assignments and Study Questions

The materials for the course are cases and readings found in the course pack (to be bought at Huntley Bookstore) and the books *Leadership and the Quest for Integrity* (Badaracco and Ellsworth, Harvard Business School Press) and *Leading with Purpose* (Ellsworth, Stanford University Press). For the benefit of your own learning experience, please read only the assigned passages in *Leadership and the Quest for Integrity* and **do not read ahead in the book**. The following is our schedule along with questions to guide your study.

Session 1, Wednesday, September 5: The Leadership Challenge

Written Assignment: Please bring to class a one-page statement of what you consider to be the principal motivations of people in the typical company in the country in which you will work after graduation. (Please indicate the country in which you will work.) To the extent possible, prioritize them in terms of their motivational strength.

Readings:

- "Introduction," *Leadership and the Quest for Integrity*, pp. 3-11
- "The Carnegie School of Organizational Theory"
- Allison, "Conceptual Models and the Cuban Missile Crisis"
- Wrapp, "Good Managers Don't Make Policy Decisions," *Harvard Business Review*.

Study Questions:

The Carnegie School of Organizational Theory

1. What are the main impediments to changes and outstanding managerial leadership posed by the forces and practices described by the Carnegie School?
2. How should a senior manager deal with these forces and practices to lead his or her organization to outstanding performance?

Conceptual Models and the Cuban Missile Crisis

1. Which description best explains President Kennedy's decision?
2. What does each description tell us about how the decision was made?
3. What lessons for managers can we learn from the three lenses used to understand the decision to blockade Cuba?

"Good Managers Don't Make Policy Decisions"

1. With which of Wrapp's basic ideas do you agree? With which do you take issue? Why?
2. Do Wrapp's ideas represent effective ways to implement change when faced with the inertial forces described by the Carnegie School?

Session 2, September 12: Political Leadership – A Prescription for Overcoming the Resistance to Change

Readings:

- “Political Leadership” (*Leadership and the Quest for Integrity*, Chapter 1)
- “Recurring Managerial Dilemmas”
- "Excerpts from *Strategies for Change – Logical Incrementalism* by James Brian Quinn"

Study Questions:

Political Leadership

1. What basic assumptions about human behavior and motivation underlie the political philosophy of leadership? Are these assumptions valid?
2. How would a political leader be predisposed to resolve the dilemmas described in “Recurring Managerial Dilemmas”? What are the basic arguments for these predispositions? Are these valid arguments?
3. Is this an effective way to lead change?

Excerpts from *Strategies for Change – Logical Incrementalism*

1. What is your assessment of Quinn's description of the strategy formulation process?
2. What are the implications of “logical incrementalism” for how best to realize strategic changes?
3. What skills does a leader need to be effective in this process?

Harold Geneen at ITT

1. What is your evaluation of Harold Geneen's way of managing? What were the most important characteristics of how he managed ITT? How effective was his approach, and why?
2. What is your evaluation of the effectiveness of his concept of the role of corporate staff (including the product-line managers)?
3. How effective was his use of formal management systems?
4. Assuming the role of an advisor to Geneen's successor as CEO, what changes, if any, would you recommend he make in the way ITT is

managed? What are the principal barriers to the realization of these changes?

Session 3, September 19: Directive Leadership

Readings:

- “Directive Leadership” (*Leadership and the Quest for Integrity*, Chapter 2)
- “Clarity and Precision versus Flexibility” (*Leadership and the Quest for Integrity*, Chapter 4)
- “Top-down versus Bottom-up Influence” (*Leadership and the Quest for Integrity*, Ch. 5)
- “Substance versus Process” (*Leadership and the Quest for Integrity*, Ch. 6)
- Stewart, “How Jack Welch Keeps the Ideas Coming at GE,” *Fortune*

Cases and Study Questions:

GE’s Two-Decade Transformation: Jack Welch’s Leadership

1. What is your evaluation of Jack Welch’s leadership of General Electric?
2. What are his objectives in the series of initiatives he launched in the late 1980s and 1990s? What are the linkages between achieving these objectives and General Electric’s performance?
3. Why did Jack Welch invest so heavily in the Work-Out process? What is he trying to accomplish? How is it related to change and innovation?
4. What are the assumptions about people and organizations that seem to underlie his view of leadership?
5. What does Welch consider to be the appropriate role of the corporate executive office?
6. How does he define an effective leader within General Electric?

Directive Leadership

1. What basic assumptions about human behavior and motivation underlie the directive philosophy of leadership? Are these assumptions valid?
2. What should guide a leader in deciding whether to opt for top-down or bottom-up influence in a particular situation?
3. Should the leader's focus be more on the substance of decisions or on the process by which others make decisions?
4. When there is conflict in an organization, which is more preferable--a predisposition to confrontation or to negotiation and compromise?
5. Is a predisposition to clarity and precision in defining and communicating strategy and goals preferable to vagueness designed to achieve flexibility?

Session 4, September 26: Directive Leadership

Readings:

- "Confrontation versus Compromise" (*Leadership and the Quest for Integrity*, Ch. 7)
- Kotter, "Leading Change: Why Transformation Efforts Fail," *Harvard Business Review*
- Heifetz and Laurie, "The Work of Leadership," *Harvard Business Review*

Cases and Study Questions:

Jan Carlzon: CEO at SAS

1. What were the most important actions that contributed to the turnaround at SAS? Why were they important?
2. Would you have advised Jan Carlzon to have done anything differently?
3. What action would you advise Carlzon to take to address the issues facing SAS at the end of the case?

Session 5, October 3: Values-Driven Leadership

Readings:

- "Values-Driven Leadership" (*Leadership and the Quest for Integrity*, Chapter 3)
- "Tangibles versus Intangibles" (*Leadership and the Quest for Integrity*, Chapter 8)
- Excerpts from Philip Selznick, *Leadership in Administration*

Cases and Study Questions:

Schlumberger Ltd: Jean Riboud

1. What is your evaluation of the distinctive aspects of how Riboud manages?
2. Why does Jean Riboud manage the way he does?
3. What have been his principal contributions to Schlumberger's success?

Human Resources at Hewlett-Packard (A)

Human Resources at Hewlett-Packard (B)

1. Based on the evidence in the case, what have been the most important sources of Hewlett-Packard's competitive advantage?
2. Are there competitive risks embodied in the "H-P Way"?
3. What is your evaluation of the differences in the implicit employment contracts at H-P and at GE?
4. Does the H-P Way promise to be an effective way to manage in 2005 and beyond, or will new realities make it obsolete?

Excerpts from *Leadership in Administration*

1. What are the principal responsibilities of leadership according to Selznick?
2. What does Selznick mean by "institutionalization?"
3. How can "institutionalization" hinder and help change?

Session 6, October 10: Values-Driven Leadership

Readings:

- *Leadership and the Quest for Integrity*, Introduction to Part II (pp. 95-110) and “Integrity in Action” (Chapter 9)
- Excerpts from James MacGregor Burns, *Leadership*

Cases and Study Questions:

Excerpts from James MacGregor Burns, *Leadership*

1. What are the principal distinctions between transactional and transformational leadership? Are these distinctions helpful in understanding leadership?
2. How does transformational leadership create a higher level of moral aspiration for followers and leaders alike?

Johnson & Johnson (A)

Johnson & Johnson (B): Hospital Services

1. What is your appraisal of the value of the Credo to J&J?
2. What are the advantages and disadvantages of being the president of an operating company at Johnson & Johnson?
3. What obstacles does Pete Ventrella face in his new assignment as President, Hospital Services Group (“HSG”)?
4. What actions should Ventrella take to assure the success of the HSG?
5. In what ways do J&J’s values affect the ability of the company to effectively implement the many strategic changes required by the mission of the HSG?

Values-Driven Leadership

1. What basic assumptions about human behavior and motivation underlie the value-driven philosophy of leadership? Are these valid assumptions?
2. How would a values-driven leader be predisposed to resolve the five dilemmas described in Chapters 4 through 8 of *Leadership and the Quest for Integrity*? What are the basic arguments for these predispositions? Are these valid arguments?

3. Can the actions prescribed by the values-driven philosophy be rationalized with some of the actions prescribed by the political and directive philosophies? If so, how?
4. What is your evaluation of the arguments for consistency among personal values, organizational aims, and personal actions and for predispositions or prejudices toward resolving managerial dilemmas in certain ways over time? Can these arguments regarding consistency be reconciled with common notions of situational management?
5. Can values-driven leadership be effective in an organization led by a manager who practices political leadership?

Session 7, October 17: Foundations of Ethical Reasoning: Resolving Conflicting Responsibilities

Readings:

- “Some Steps in Resolving Ethical Dilemmas”
- Louch, “Ethics and Management”
- “Morality: Consequences and Duties”
- McCoy, “The Parable of the Sadhu” (*Harvard Business Review*)

Cases and Study Questions:

The Individual and the Corporation: Kathy Levinson and E*Trade (A)

1. What are Kathy Levinson’s obligations? What factors should she weigh in deciding what to do?
2. What should Levinson choose to do?
3. As an investor in E*Trade, what decision would you want her to make?
4. If Levinson decides to become publicly involved in the Proposition 22 campaign, what action should Christos Cotsakos take regarding her?
5. Should companies have an explicit policy to cover public statements by employees? If so, what should the policy say? (Please be prepared to summarize the key points of such a policy, including to whom it should apply, the process for administering it, and the appropriate sanctions for violating the policy.)

The Parable of the Sadhu

1. What moral dilemmas did the situation with the Sadhu present to Buzz McCoy and Stephen?
2. What, if any, valid lessons about executive leadership can be drawn from their experience with the Sadhu?

SESSION 8, October 24: Personal Integrity and Management

Readings:

- “Personal Integrity”
- “The Moral Dimension of Adult Development: A Psychological Perspective”

Cases and Study Questions:

ProTech, Inc.

1. Would you advise ProTech to maintain its long-term commitment to the control systems business and to the Control Systems Division?
2. What are Scott Clifford's responsibilities in this situation?
3. What conflicts do these responsibilities create for him?
4. What action would you recommend he take? Why?
 - a. How should he respond to Joanne Lember's questions?
 - b. How should he respond to the inquiries from Exxon?

Trends, Inc. (A)

1. What are the critical issues facing Carl Heim in this situation?
2. What action should he take?
3. What consequences is this recommended action likely to have on the organization and his career?

SESSION 9, October 31: A Leader's Responsibilities for Creating a Moral Climate

Reading:

- Gellerman, "Why 'Good' Managers Make Bad Ethical Choices" (*Harvard Business Review*)
- Messick & Bazerman, "Ethical Leadership and the Psychology of Decision Making," *Sloan Management Review*

Cases and Study Questions:

Sears Auto Centers (A)

1. What is the nature of the problem facing Sears? How serious of a problem is it for the company?
2. What is your evaluation of Sears' response to the investigation?
3. Should Sears' management have done anything differently? If so, what and why?
4. What should Brennan do now?

Broken Trust: Role of Professionals in the Enron Debacle

1. In what ways did the professional firms contribute to Enron's collapse?
2. What are the underlying causes of the failures of the professional firms to prevent Enron's demise? Is there a consistent pattern among these causes?
3. Do these failures have a moral dimension or are they just the result of poor business judgment?

The Ethics of Financial Window Dressing

1. What are James Reilly's and Maureen Henricks' responsibilities in this situation?
2. If you were Reilly or Hendricks, what action would you have taken? Why?
3. What action should Sandy Weill, Citigroup's CEO, take in response to the actions of Reilly and Hendricks?

A Staffer Ordered to Commit Fraud Balked, Then Caved

1. What are the principal lessons to be learned of Betty Vinson's experience?
2. What were the principal aspects of her dilemma that led her into this quagmire?

SESSION 10: November 7: Corporate Purpose

Readings:

- Ellsworth, *Leading with Purpose*, pp. 1-56, 93-141, and 327-357.

Optional Readings:

- Handy, "What's a Business For?" *Harvard Business Review*
- Collins and Porras, "Building Your Company's Vision," *Harvard Business Review*

Study Questions:

Corporate Purpose

1. What impact does corporate purpose have on an organization's competitive performance? On its strategy? Why?
2. Should a company prioritize its responsibilities to shareholders, customers, employees, and communities? If so, does the order of the priority among these constituents make any difference to the firm's competitive performance? Why or why not?
3. How does the choice of purpose affect an organization's way of managing?
4. What are the critical linkages between organizational culture and purpose?
5. Does the choice of corporate purpose have moral implications?

SESSION 11, November 14: Property Rights and the Role of Corporations in Society

Readings:

- Ellsworth, “Property Rights: The Shareholders’ Rights and Responsibilities,” Chapter 6 from *Leading with Purpose*.
- Friedman, “The Social Responsibility of Business is to Increase its Profits”

Optional Reading:

- Ellsworth, “Leading with Purpose,” Chapter 4, “Capital Market Relationships: The Myths of Shareholder Wealth Maximization,” pp. 145-181.

Cases and Study Questions:

Property Rights

1. What are the main justifications for private property?
2. How well do these justifications apply to the ownership of common stock in a public corporation? (Distinguish between the rights of ownership of the securities – such as the shareholders’ rights to the company’s residual cash flow and their rights regarding the underlying corporate assets.)

Friedman, “The Social Responsibility of Business is to Increase its Profits”

1. With what parts of Friedman's argument do you agree and disagree? Why?
2. How could his argument be modified to more closely fit your view of the responsibility of business?

The Body Shop International

1. What role do values play in the management of The Body Shop and in its success to date?
2. In infusing her values into the organization, is Anita Roddick acting as a responsible corporate leader? Why or why not?
3. As a consultant to Anita Roddick, what advice would you give her regarding where to draw the line on the infusion of her personal values into the company? What criteria would you use to define the personal values that would be unacceptable to infuse?

Note: The class will not meet on November 21st.

SESSION 12, November 28: Moral Responsibilities in a Free-Market Society

Cases and Study Questions:

Roy Vagelos and the River Blindness Decision

1. Should Roy Vagelos have approved further development of human applications of Mectizan in the 1970s? Why or why not?
2. In 1987, should Vagelos approve Merck's manufacture of Mectizan? If not, why not? If so, what action should he take regarding pricing and distribution?
3. What principles should guide his decisions?

This Case Sucks: Beavis, Butt-head, and TV Content

1. What are the principal issues at stake in the controversy over "Beavis and Butt-head"?
2. What is your evaluation of MTV management's response to the controversy surrounding the show?
3. What action would you advise the show's creators and producers to take at the end of the case? What action, if any, should Sumner Redstone, Viacom's CEO, take? Why?
4. What action should the show's advertisers, such as Nike and Nestle, take? Why?

SESSION 13, December 5: Leaders as Moral and Economic Agents: An International Perspective

Reading:

- Drucker, “What is ‘Business Ethics’?” (*The Public Interest*)
- Donaldson, “Values in Tension: Ethics Away from Home” (*Harvard Business Review*)

Cases and Study Questions:

Economic Development & Government Payments

1. What are the critical factors that make this an ethical dilemma?
2. What would you advise Miller and Jenkins to do at the end of the case?

Hitting the Wall: Nike and International Labor Practices

1. What is your evaluation of the major differences in Nike’s and Reebok’s policies governing the international production of their shoes?
2. What responsibilities does Phil Knight have in defining Nike’s sourcing strategies?
3. What, if anything, would you advise Nike’s senior managers to do differently? Why?
4. If Nike’s sourcing policies can be proven to create a significant cost disadvantage relative to their competitors, what action should Phil Knight take?

SESSION 14, December 12: Leadership and the Making of Meaning

Reading:

- Ellsworth, *Leading with Purpose*, Chapter 2, "Corporations and Individuals: Creating Meaning and Competitiveness," pp. 57-92.
- Abraham Maslow, *Maslow on Management*, pp. 1- 42.
- Excerpts from Viktor Frankl, *Man's Search for Meaning*

Study Questions:

1. What satisfactions do you seek from your work and from your relationship with your organization? What satisfactions do you think most other people seek?
2. Can individuals find increased meaning for their lives through their work? How?
3. If you believe it is possible to find increased meaning for one's life through work, what can senior managers do to help those whom they lead to realize this potential? What are the implications for strategy and the way of managing?
4. Do leaders have "an inescapable responsibility to help the employees' inner selves?"
5. What is the relationship of purpose, meaning, commitment, and knowledge creation? What implications does this relationship have for an organization's future competitiveness?