



# Kellogg

Kellogg School of Management

Northwestern University

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## **SEEK 460: Values Based Leadership**

### **Section 61**

**Fall 2007**

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### **CONTENTS**

Course Overview	Page 2
Course Requirements	Page 3
Class Schedule and Topics	Page 5
Group Evaluation Form	Page 15

## Course Overview and Objectives

This course focuses on the ways in which leaders must recognize and respond to a variety of competing value propositions both within and outside their organizations. Whereas *practical* leadership typically involves the creation of incentive systems *values-based* leadership also motivates through the creation of norms, by example and inspiration. In today's world leaders are expected to not only appreciate competing value propositions but also be able to articulate and advocate principles and standards of behavior. To achieve these goals requires the ability to anticipate not only how others will respond to the interaction between incentives and values-based but also how emotions drive attitudes and behavior.

Values-based leadership ultimately involves the ability to take the disparate value propositions of various stakeholders and integrate them into a coherent vision. Doing so requires the capacity to make tough choices, to take a stand and to offer an articulate and coherent justification for one's decisions. The course helps to develop this ability to consider a wide-range of value perspectives and to integrate them when making tough but importance decisions. It will provide self-insight and add intellectual depth.

During the course, we explore how recognizing and incorporating competing values claims throughout the organization is often facilitated and hindered by a number of psychological, organizational and cultural processes. Students will come to understand the variety of underlying mechanisms managers of organizations typically have at their disposal successfully to implement values objectives and select among different approaches, while anticipating the constraints placed on choice by the organization's market and non-market environments.

While some of the material we will cover in the class may be found in a standard business ethics class it is important to emphasize that, in contrast to such classes, our goal is not ethical or moral transformation of students. Instead, our goal is to develop a set of tools and frameworks where possible that will allow students to manage effectively in a world increasingly characterized by stakeholders with competing values.

### **Course Format:**

Each session, we will focus on various perspectives and challenges that are confronted in the ethical realm of organizational life. Our goal will be to give you the tools to effectively discern all the relevant value propositions in any given situation. We will accomplish this by discussing key theoretical concepts and analyzing related cases.

In each class session, we will use a case or exercise to motivate our discussion. You should come to class prepared to summarize key points from the day's readings and to contribute to the case analysis. As you complete the readings, ask yourself:

- What is the basic argument the author makes?
- What are the key concepts/principles?
- So what? How does this matter for an organization?
- What are the implications for the kinds of challenges I may face as a leader?
- How can I apply this to my firm, my job, and my career?

This course reflects a dual focus on practice and conceptual training. The course packet articles introduce key concepts and useful ways of thinking about complex situations in organizations. Case studies and class exercises provide opportunities to apply theories, concepts, and research findings to particular situations and to hone your skills in defining ethical dilemmas and constructing appropriate solutions. The written assignments ask you to consolidate your insights and apply your own conceptualization of values based leadership.

## Course Requirements and Assignments

### Assignments:

Your final grade is composed of:

1. Course Contribution	10%
2. Individual Reflection Papers	25%
3. Group Projects	25%
4. Final Exam	40%

### *Course Contribution (10%)*

All class sessions involve active discussion based on the readings and cases, with an emphasis both on theoretical questions and practical implications. You should be prepared to share your ideas and listen to and interpret the issues presented by others.

Please carefully review the readings and case for every class session. Most participation will be voluntary; however, in order to ensure that everyone has the opportunity to be involved, individuals will occasionally be called upon “cold.”

Quality discussion comments possess one or more of the following attributes:

- Offer a relevant perspective on the issue
- Provide careful analysis
- Apply the theory and concepts offered in the readings and lectures
- Move the discussion forward by building on previous contributions with new insights; do not repeat points already made by others
- May include asking good questions. This is a skill to be practiced as well; good questions are rarer than good answers.

Regular participation in discussions and class exercises is expected. If you must miss a class, it is essential that you notify me at least 24 hours in advance so that I can make arrangements for any in-class exercises and so that you can be certain to get the materials that will be distributed during the class.

### *Reflection Papers (25%)*

On a number of occasions you will be asked to write a reflection paper. The purpose of the reflection papers is to encourage you to reflect on your past behavior and experiences in which value and ethical considerations were brought to bear so that you will have greater perspective in the future. There are two individual reflection papers **due at the beginning of the Thursday class in weeks 3, 8.**

### ***Group Projects (25%)***

You will be assigned to a Study Group for this course. You will work with this Study Group on two group. These two group assignments will be **due in weeks 2 & 9**. The first group project is the Food Aid case. Your study group will be assigned one of four perspectives for that case. The second group project will require your group to develop a presentation for either the Genzyme or Veridian cases. Further information will be provided on the first day of class.

Group Evaluations: You will have the opportunity to evaluate the preparation and work completed by your Study Group teammates. See the evaluation form in this syllabus for the specific criteria on which you will evaluate each other. These evaluations will be factored into your course contribution grade.

### ***Final Exam (40%)***

The exam will be a take home exam that will be due via e-mail at 5pm on **Monday March 12<sup>th</sup>**. It will test your knowledge and understanding of all the relevant concepts explored in the class.

### **Office Hours:**

I will be available to meet with you in my office (Anderson 528) between 11-12 on Wednesdays. If you would like to make an appointment to see me at another time, please contact me.

### **Consideration for Classmates:**

A class requires careful attention to fairness and mutual respect for one another. You are expected to attend every class on time and to stay for the entire class session. If you have an unavoidable conflict, please do not disturb your classmates by arriving late, leaving early, or asking to have information you missed repeated during the class. Always let me know **at least 24 hours in advance** if you will miss a class session so that I can make arrangements for any in-class exercises to be certain that your classmates do not suffer from your absence. This advance notice will also allow us to make arrangements to ensure that you get all of the materials distributed in that class.

If you are familiar with a case or an exercise introduced in class, please do not discuss your prior knowledge with other students, as this can ruin the learning experience for them. **Telling other students (in any section) about your experience with cases and exercises is an honor code violation.** If you are concerned that your prior experience with a case might be an issue, please let me know before class.

This course adheres to the guidelines established in the Kellogg Honor Code and the Kellogg Code of Classroom Etiquette.

## Value Propositions

Week 1: Monday, September 24<sup>th</sup> and Thursday, September 27<sup>th</sup>

### Objectives:

Leaders of all organizations must confront and resolve conflicts of values, not only their own conflicts but also values conflicts within and between other stakeholders. The first week of the class will focus on the class setup including getting organized for the first group project (due next week). In the Monday class we will consider the way in which values motivate action, the ways in which values change in predictable ways and the way in which managers fall-back on the idea of maximizing shareholder value as a way to resolve values conflicts. The Thursday class will focus on an in-class group exercise in which each group will be asked to make a decision about selling a potentially defective product in the developing world.

### Read:

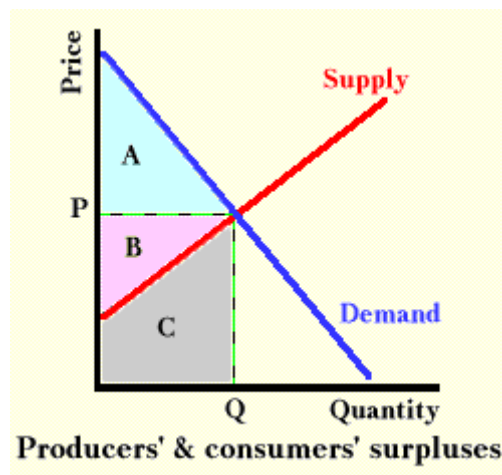
- (For Thursday) Arrow: Social Responsibility and Economic Efficiency
- (For Thursday) Friedman/Mackey debate

### Case:

- To be handed out in class.

### Discussion Questions:

1. What social goals can market competition promote?
2. Do you agree with Friedman that corporate managers have a moral imperative to maximize stockholder value?
3. What are the principle economic reasons that might undermine Friedman's position? Do you find these reasons compelling?



## Principles, Principals and Agents

Week 2: Monday October 1<sup>st</sup>, Thursday October 4<sup>th</sup>

### Objectives:

In the classes this week we focus in greater depth on the nature of values conflicts, standard values propositions (e.g., fairness, welfare and consequentialist and teleological) and ask ourselves first, how do people actually resolve values conflicts and then confront the question of how we ought to resolve such conflicts. On Monday discussion will build upon the case we did in class the previous week and integrate classical perspectives on ethics and duty. In addition we will link perspectives from economic theory on principals and agents with empirical findings on how people resolve value conflicts from the psychology literature. On Thursday we will have an in-class debate on the Food-Aid project and hear from Bob Bell, the Director of the Food Resource Coordination Team at CARE about how CARE is currently addressing the concerns raised in the case.

### Read:

- (Monday) Machiavelli: The Prince
- (Monday) Plato: The Republic
- (Monday) Abraham Lincoln's Letter to Horace Greeley
- (Monday) Martin Luther King Jr.: Letter from Birmingham City Jail
- (Monday) Kidder: The Ethics of Right versus Right, Justice versus Mercy
- (Monday) Singer: Rich and Poor

### Case:

- (Thursday) Food Aid

### Discussion Questions:

1. What do Lincoln, Machiavelli, King and Plato suggest are the primary obligations of a leader? Which conception, in your opinion, most accurately describes the kind of decision-making we saw during last week's in-class exercise?



### **DUE:**

First Group Project: **Food Aid** (Thursday, October 4<sup>th</sup>)

## Fairness and Rights

Week 3: Monday October 8<sup>th</sup> and Thursday October 11<sup>th</sup>

(Please bring a laptop computer to class on Thursday October 11<sup>th</sup>)

### Objectives:

Some of the most difficult values conflicts we face have to do with allocating scarce resources. While it seems such choices are difficult many people believe that, at the end of the day, people agree on how such conflicts should be resolved. In Monday's class we will do an exercise relating to the allocation of kidneys. On Thursday we will build upon the discussion by looking at data related to the kidney exercise and discuss the results of the "Tough Choices" survey.

### Read:

- (Thursday) Feinberg: Distributive Justice
- (Thursday) Baron: Utilitarianism

### Case:

- (Monday) Handed out in class
- (Thursday) Tough Choices Survey—complete online by Wednesday, October 10<sup>th</sup>, noon.

### Discussion Questions:

1. What are the ethical issues associated with using market based approaches to solve societal problems?



### **DUE**

Thursday October 11<sup>th</sup>

First Individual Reflection Paper. In a page or less, answer the question: **Should people be permitted to sell their organs?**

## **Stereotyping and Discrimination**

Week 4: Monday October 15<sup>th</sup> and Thursday October 18<sup>th</sup>

**(Please bring a laptop computer to class on Thursday October 18<sup>th</sup>)**

### **Objective:**

One of the most difficult problems facing managers centers on building a diverse workforce. Stereotyping leads to bias and discrimination in ways that are counterproductive both at the firm and societal level. Nevertheless, management and government interventions often result in highly charged and difficult discussions. Monday's session will focus on a discussion of the Anne Hopkins case. Thursday's session will look at the way in which stereotyping and bias operate at a nearly subconscious level. The class will also focus on the rationales for addressing discrimination and look at solutions managers can use to build diversity.

### **Read:**

- (Thursday) Banaji, Bazerman, & Chugh: How (Un)ethical Are You?



### **Case:**

- (Monday) Anne Hopkins

### **Discussion Questions:**

1. What do you think contributed to the way Anne Hopkins was treated? What could Price Waterhouse have done differently?
2. Do you have any experiences working at a firm that did a good job of managing diversity issues?

## Emotions and Perspective Taking

Week 5: Monday October 22<sup>nd</sup> and Thursday October 25<sup>th</sup>

### Objectives:

In the sessions this week we look at the connection between values propositions and emotions. Emotions are the drivers of human behavior. It is easy to come up with examples in which people act out of emotions that conflict with their core values. On the other hand emotions can be a primary driver of values based behavior. In Monday's class we focus on the McLibel case and the way in which emotions seemed to drive key decision-makers. In Thursday's class we will discuss recent research in psychology and behavioral economics that sheds light on the way emotions impact strategic decision-making.

### Read:

- (Thursday) Bazerman, Loewenstein, & Moore: Why Good Accountants Do Bad Audits
- (Thursday) Greene, Sommerville, Nystrom, Darley, & Cohen: An fMRI Investigation of Emotional Engagement in Moral Judgment
- (Thursday) Lerner: Negotiating Under the Influence; Effect of Anger on Detecting Interests



### Case:

- (Monday) McLibel Case

### Discussion Questions:

1. What, if any, difference is there between decision making based on emotions and decision making based on value propositions?
  - When and what type of emotions lead to moral behavior and maximizing self-interest, and when do they blind people from their own best interests and the interests of others?

## **Speaking Truth to Power**

Week 6: Monday October 29<sup>th</sup> and Thursday November 1<sup>st</sup>

### **Objective:**

More often than they would like managers have to confront situations in which customers, employees, suppliers, or other managers and even their bosses engage in behavior that is unethical or illegal. In the worst case the manager is confronted with a choice of confronting the unethical behavior and risking a valued client, a job or worse versus not confronting the behavior and becoming morally or legally liable. The goal of these sessions is to confront some situations and develop skills and approaches for dealing with ethical violations by subordinates, peers and those in positions of power. On Monday we will talk about the most severe situations in which one is required to confront serious allegations of wrong doing. We will have Supervisory Special Agent Paul Holdeman from the FBI Criminal Investigations unit come make a presentation on the process of collaborating with law enforcement. Prior to joining the FBI Agent Holdeman worked at Arthur Andersen and later, upon joining the FBI, was involved with the Andersen and Enron investigations. On Thursday we will focus on issues related to personal ethics and look at series of small cases. We will conclude with some approaches to take in case it becomes necessary to speak truth to power.

### **Read:**

- (Monday) Glazer: Ten Whistleblowers and How They Fared
- (Thursday) Kellogg Honor Code

### **Case:**

- To be handed out in class

### **Discussion Questions:**

- Define whistleblower as the public revelation of information about an organization or another individual's behavior that leads to the potential sanction of that organization or individual by others. What parameters of the situation determine whether you have an obligation to "blow the whistle"?
- Whistleblowing often leads to retaliation against the whistleblower. Come up with some alternative strategies that you could advise a whistleblower to pursue that don't require whistleblowing.
- How well does the Kellogg Honor Code work? What, if anything should students, faculty and the administration consider changing about the honor code and its administration to

## What's to Be Done? Managing Values through Incentives and Informal Mechanisms

Week 7: Monday November 5<sup>th</sup> and Thursday November 8<sup>th</sup>

### Objectives:

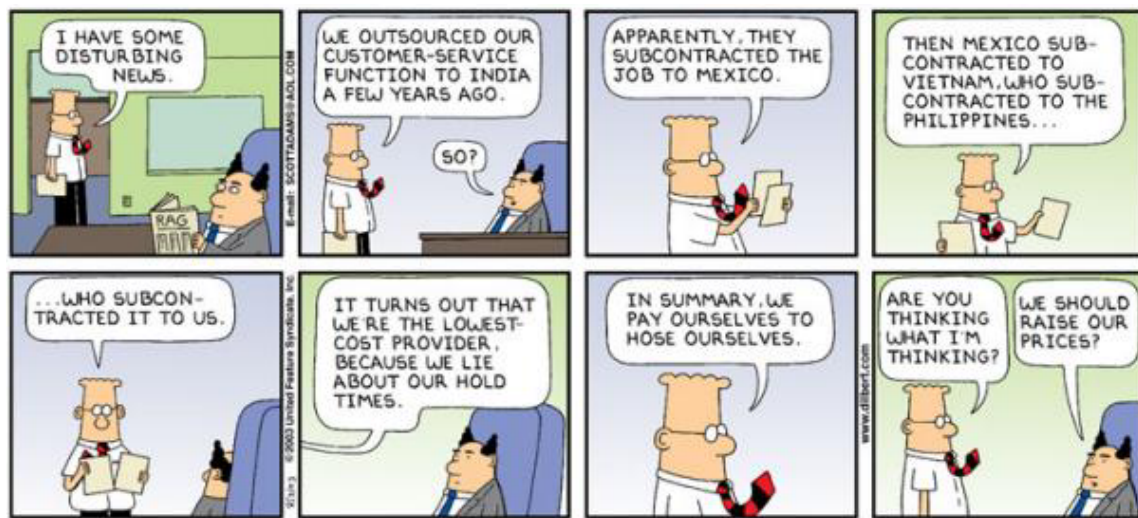
Leaders have a range of potential interventions available to motivate organizations. Economists (along with much of the MBA curriculum) naturally focus on material incentives (rewards and punishments) in order to motivate action. Up to this point the class has focused on the way in which people are motivated by concerns that go beyond simple self-interest. In these classes we look at implications of ethically motivated for management interventions. In Monday's class we look at the ways in which introducing material incentives into situations in which behavior is driven by values concerns can sometimes be counterproductive. In Thursday's class we look at alternative interventions that leverage values to persuade rather than compel.

### Read:

- (Thursday) Buchanan: Charity begins at Homo sapiens

### Case:

- To be handed out in class.



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## **Values-Based Marketing: Propaganda, Marketing to the Vulnerable, and the Virtuous Consumer**

Week 8: Monday November 12<sup>th</sup> and Thursday November 15<sup>th</sup>

### **Objectives:**

In the previous week we saw how managers can leverage values to build value within the organization. This week we show how firms build value for brands with consumers by leveraging values. Values-based marketing focuses on the practice and ethical implications of marketing values. Marketing itself has its origins in modern psychology and was originally known as propaganda. Obviously, propaganda has acquired quite negative associations as a result of the way totalitarian regimes leveraged propaganda for purposes of social control. In Monday's class we will look at the connection between propaganda and marketing on values. We will also discuss the Unilever Dove and Axe campaign. Thursday's class will focus on particular cases of values based marketing including Toyota's recent success with the Prius hybrid.

### **Read:**

- (Monday) Pratkanis and Aronson: Age of Propaganda pp.48-67
- (Thursday) NY Times: Say 'Hybrid' and Many People Will Hear 'Prius'
- (Thursday) Daily Mail: Are we falling for the great green con?
- (Thursday) Businessweek (June 2007): Failure of Accord Hybrid is Marketing Fiasco
- (Thursday) OpEd by James Martin: Hidden costs of driving a Prius

### **Case:**

- (Monday) Unilever: Dove and Axe

### **Discussion Questions:**

1. What are the values that underlie the Dove and Axe campaigns? Are they in conflict?
2. Sales of Toyota Prius are rising while sales of other hybrids are declining. Market research suggests that the Prius is benefiting because consumers are using it to make statement about themselves. What steps can the other car companies take to compete with Toyota?

**DUE:** (Thursday, November 15<sup>th</sup>)

Second Individual Reflection Paper. Recent research on lifecycle costs of the Toyota Prius (see OpEd by James Martin suggests that the Hummer may have a smaller energy impact than the Hummer when considered over the lifecycle of ownership. What, if any, effect do you think this research is likely to have Prius and Hummer sales?

## **Building culture: values statements**

Week 9: Monday November 26<sup>th</sup> Thursday November 29<sup>th</sup>

### **Objectives:**

In the classes this week we look at the ways in which entrepreneurs build values into their organizations and the way that can create difficult values conflicts. On Monday we will hear group presentations on the Veridian case and on Thursday we hear presentations and discuss the Genzyme case. The final group projects are due this week

### **Read:**

- (Monday) Kidder: Core Values
- (Monday) Kinni: Words to Work By: Crafting Meaningful Corporate Ethics Statements

**Cases:** (Monday) Veridian and (Thursday) Genzyme

### **Discussion Questions:**

1. Given the processes inherent to conflicts of interests (and that warnings seem to be ineffective), what remedies would you propose to deal with this vexing problem? Think of one way to eliminate the self-serving biases that spring from many incentive plans.
2. After a company creates a value statement, how might the company encourage employees to adopt its ideals?

**DUE:** Second Group Project. Your group will develop a presentation on either the Veridian or Genzyme cases. Cases will be assigned to groups after the first group project is completed.

**Global Environment of Ethics and Business and the Role of  
Corporate Social Responsibility**

Week 10: Monday December 3<sup>rd</sup> and Thursday December 6<sup>th</sup>

**Objectives:**

We conclude the class by exploring the way that globalization is created unprecedented social problems and values conflicts that are likely to be the defining feature of our professional lives. Monday's class will look at doing business in dictatorships. Thursday's class will conclude the discussion of globalization and conclude the course.

**Read:**

- (Monday) Donaldson: Values in Tension: Ethics Away from Home
- (Monday) Vogel: Is there a Business Case for Virtue?

**Case:**

- (Monday) Unocal Pipeline case

**Discussion Questions:**

1. Suppose that the CEO of Unocal decides to do the gas pipeline project with the Burmese government. Who are the critical stakeholder groups and what should the CEO tell them?

## Group Evaluation

Please use this form to evaluate all of the members of your group, including yourself, on your work together analyzing the cases and preparing presentations and memos. Grade each group member using the *comparative* scale below. Awarding a teammate a “1” would indicate that his or her initiative, dependability, etc. went above and beyond that of the other team members. In contrast, a “-1” would reflect efforts that they weren’t up to par with the other teammates’ inputs – that the person could have done more to carry a fair portion of the workload. A zero would indicate that the team member’s efforts and contributions were equal to that of most of the other group members.

[-1].....[-0.5].....[0].....[0.5].....[1]  
 Could have done more                      equal                      exceptional contributions

Team Member Name	Quality of Contribution	Dependability	Initiative

Additional comments (if necessary)