

UNIVERSITY OF PENNSYLVANIA -- THE WHARTON SCHOOL
LEGAL STUDIES & BUSINESS ETHICS DEPARTMENT
LEGAL STUDIES 611X
Spring 2013 – Qtr 3
RESPONSIBILITY IN GLOBAL MANAGEMENT

Classroom: 250 Huntsman Hall
Instructor's email: rosoffa@wharton.upenn.edu
Class times: Mon.-Wed. 1:30-2:50
Office Hours: Monday, 3-4, Tues., 2-3 (**Note:** I will reserve these regular times for meetings with students; alternate times can be arranged if these don't fit your schedule. **Office visits are not on a walk-in basis; advance notice by email or otherwise is expected.**)

Instructor's office: 673 Huntsman Hall
Office Phone: (215) 898-7610

Course Overview:

This course uses the global business context to introduce students to important legal and ethical challenges they will face as business leaders. Cases and materials will address how business leaders, constrained by law and motivated to act responsibly in a global context, should analyze relevant variables to make wise decisions. Topics will include an introduction to the basic theoretical frameworks used in the analysis of ethical issues, such as: rights-based, consequentialist-based, and virtue-based reasoning; and conflicting interpretations of corporate responsibility. The course includes materials to introduce students to basic legal (common law and civil law) and normative (human rights) regimes at work in the global economy as well as sensitize them to the role of local cultural traditions in global business activity. Depending on the section, topics may also include such issues as comparative forms of corporate governance, bribery and corruption in global markets, human rights issues, diverse legal compliance systems, corporate responses to global poverty, global environmental responsibilities, and challenges arising when companies face conflicting legal and ethical demands between home country and local (host country) laws and mores. The pedagogy emphasizes globalized cases, exercises, and theoretical materials from the fields of legal studies, business ethics and social responsibility.

IMPORTANT NOTE: This is a preliminary syllabus. Sessions may be re-ordered and readings changed before the course begins, and further changes may be made during the course to accommodate the interests of the students enrolled. However, the basic content and structure of the course will be as described here.

Instructor:

Arnold Rosoff, J.D., is Professor of Legal Studies and Business Ethics and also holds appointments in Wharton's Health Care Management Department and the School of Medicine's Family Practice and Community Health Department. His scholarship is in the area of health law and policy, with recent emphasis on public health and healthcare reform, especially the U.S.'s historical and current attempts to achieve universal health care, and the promotion of evidence-based medical and public health practice. Professor Rosoff's healthcare-related studies have taken him around the world, with visiting appointments at INSEAD, Singapore Management University, Bocconi University (Milan), Keio University (Tokyo), Harvard's School of Public Health, The Brookings Institution, and the Georgetown Law Center. In these settings he has examined the cultural, legal and political contexts in which health services, an essential element for human wellbeing and achievement, are provided. Despite his focus on

health care, Professor Rosoff's teaching of LGST 611 will only incidentally draw on this area.

Readings: Readings will be available for purchase on Study.net and supplemental readings will be posted on the course's Canvas website:

Grading:

1. **Mid-term exam** (25%). A closed-book intra-term exam will be given on the materials discussed and assigned in classes 1 through 4.
2. **Class participation:** (25% points) Twenty-five percent of the grade will be based on class attendance, participation, and peer evaluations.
3. **Final exam** (50%). An essay-based, take-home final exam will be handed out in the final class and will be due within one week of the last class.

CLASS TOPICS AND ASSIGNMENTS

(SEE IMPORTANT NOTE ON PRECEDING PAGE ABOUT POSSIBLE CHANGES.)

Class 1, Jan. 7: Introduction to Ethical Themes and Legal Frameworks

Instructor presents:

- I. Hierarchy of concepts in the course: (In ascending order of specificity):
 - a. Basic theory
 - b. Mid-level theory
 - c. Specific issues and cases
 - d. Individual actions
- II. Local norms and rules vs. global/transnational norms and rules
- III. What is law? How is law different from or similar to ethics?

Case Study: "Barrick's Tanzanian Project Tests Ethical Mining Policies" published in the *Globe and Mail's* "Report on Business" Magazine:

<http://www.theglobeandmail.com/report-on-business/rob-magazine/barricks-tanzanian-project-tests-ethical-mining-policies/article2183592/page1/>

Exercise: The Ultimatum Game

Class 2, Jan. 9: Foundations: Ethical Theory

Discuss: Principles vs. Consequences vs. Social Contract Theory

Readings:

- "Introduction to Ethical Reasoning," Thomas Donaldson and Patricia Werhane, from *Ethical Issues in Business*, p. 1 – end of article.
- Responsibility and Utility (materials from Prof. Alan Strudler, TBD)

Case Study: "Dicing with Death? Guidant Corporation's implantable defibrillator business," by Martin E. Sandbu and Jeisun Wen.

Class 3, Jan. 14: Markets and Responsibility

Discuss:

- Efficiency (basic economic model) vs. Fairness (distributive justice)
- Law and Markets: Libertarian vs. Welfare Perspectives

Readings:

- Sen, A. (2010), The Economist Manifesto. *New Statesman*, 139(4998): 29.
- Sen, A. (1993), "Does Business Ethics Make Economic Sense." *Ethical Issues in Business*, pp. 256-264

Case study: "Alchemist's Dream Come True," *Ethical Issues in Business*, p. 459-462

Exercise: Used car negotiation

Class 4, Jan. 16: The Purpose of the Corporation

Discuss:

- Shareholder vs. Stakeholder Theory
- Basic Legal Structure of the Corporation

Readings:

- Milton Friedman, "The Social Responsibility of Business is to Increase Its Profits,"
- "R. Edward Freeman, "Stakeholder Theory of the Modern Corporation"
- "American Law Institute, Section 2.01"

Case study: "Chiquita and Death Threats," Dean Krehmeyer, Business Roundtable.

Jan. 21 -- Martin Luther King Day – No class

Class 5, Jan. 23: INTRA-TERM EXAM -- IN-CLASS, ALL MATERIAL TO DATE

JAN. 24 TO FEB. 1 – NO CLASSES (DEDICATED INTERVIEW PERIOD)

Class 6, Feb. 4: The Corporation in the Global Context

Discuss: Comparative Antitrust Regulation

Readings:

- Thomas Donaldson, "Values in Tension: Ethics away from Home," *Harvard Business Review*

Case study: "Coca Cola India"

Class 7, Feb. 6: Corporate Social Responsibility: The Duty to Rescue

Discuss:

- Do Firms with Unique Competencies for Rescuing Victims of Human Catastrophes have Special Obligations?"
- The problem of imperfect compliance with legal standards and norms

Readings:

- Selections from "Exploitation and Developing Countries: The Ethics of Clinical Research"

Case Studies: “Merck & Co., Inc.” (A) and (B), *Ethical Issues in Business*, pp. 250-256; Drug testing in Nigeria

Class 8, Feb. 11: Comparative Corporate Governance

Discuss:

- Corporate governance systems in different countries
- Role and composition of boards of directors in Europe/Asia/USA
- The rise and role of sovereign wealth funds in global business
- The concept of socially responsible investing

Readings:

- “The Purpose of the Corporation in Business and Law School Curricula,” Darrell West (available on LGST webCafe, prepared by Prof. Eric Orts).

Case study: “Norway Sells Wal-Mart” (A) [HBS 9-308-019] Robert Pozen and Aldo Sesia

Class 9, Feb. 13: The 2008 Financial Crisis: Policy Domains — Ethics and Law

Discuss: Free Market? How free? Does the “invisible hand” need more guidance?

Readings:

- Stiglitz, “Needed: A New Economic Paradigm”
- O’Driscoll, “An Economy of Liars”
- Donaldson, “Three Ethical Roots of the Financial Crisis”
- Thaler, “Recipes for Ruin, in the Gulf or on Wall Street”
- Bel Bruno, “Goldman’s Tourre Denies SEC’s Allegations”

Legal Perspective: Brief Summary of Dodd-Frank Wall Street Reform

Class 10, Feb. 18: Human Resources, Human Rights, Diversity and the Global Enterprise

Discuss:

- Labor relations in a global context
- International rules related to child labor, discrimination

Readings

- “2010 Report of the Special Representative of the Secretary-General on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises”
- International rights documents (from Prof. Ann Mayer’s “International Legal Texts” section available on LGST Canvas)
- “The Politics of the EU Charter of Fundamental Rights,” by M. Weiss (prepared by Prof. Janice Bellace.)
- “The Oil Rig” *Ethical Issues in Business*, pp. 221-222.
- “Foreign Assignment,” Diana Robertson

Case Studies:

- Google in China (studies prepared by Prof. Nien He Hsieh)

- Lay-offs at Solaris (prepared by Prof. Janice Bellace)

Class 11, Feb. 20: The Problem of Corruption

Discuss:

- The Economics of Corruption
- Comparative Perspectives on Corrupt Practices Laws

Readings:

- *Uncompromising Integrity: Motorola's Global Challenge: 24 Global Case Studies with Commentaries*. Schaumburg, Illinois: Motorola University Press.
- "Corruption as an Assurance Problem," *American University International Law Review*, Volume 19, 1307-1349 Philip M. Nichols (2004),

Case Studies:

- "BizCase" and "BusCase Practitioner" (prepared by Prof. Phil Nichols)
- "Just when is a "Tip" Only another Means to Insure Promptness?" in Moorthy R, Donaldson T, Ellos W, S.J., Solomon R, Textor RB, editors. 1998.

Class 12, Feb. 25: Global Business and Environmental Sustainability

Discuss:

- The Environmental and Sustainability Challenges
- Local vs. Global Environmental Rules

Readings:

- Intergovernmental Panel on Climate Change (IPCC; 2007, 2013). *Special Report on Renewable Energy Sources and Climate Change Mitigation, 4th assessment reports* (5th ARs forthcoming 2013, 2014). Available at: <http://www.ipcc.ch/>
- McKinsey Report: The Carbon productivity Challenge: http://www.mckinsey.com/locations/swiss/news_publications/pdf/mgi_carbon_productivity_challenge_report.pdf
- Exercise: *Stabilization wedges game*. Details can be found at <http://cmi.princeton.edu/wedges/>. This game demonstrates the emissions cuts required and the tools available to meet those cuts.

Case Studies:

- "Proctor & Gamble and Disposable Diapers"
- "Du Pont Freon® Products (A)" *HBS*

FINAL EXAM – WILL BE HANDED OUT IN CLASS; DUE BY MARCH 4TH.

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