

UNIVERSITY OF PENNSYLVANIA  
THE WHARTON SCHOOL  
DEPARTMENT OF LEGAL STUDIES & BUSINESS ETHICS  
LGST 612 Section 002  
Spring 2013  
Responsibility in Professional Services

SYLLABUS

Classroom: [JMHH F45](#)  
Office: 619 Huntsman Hall  
Class times: Tuesdays, 3:00-6:00 PM  
Office Hours: by appointment  
Office Phone: (212) 476.9200  
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Instructors: Professors Paul Roth and Larry Zicklin:

Paul Roth ([paul.roth@srz.com](mailto:paul.roth@srz.com)) is an Adjunct Professor and one of the founding partners in the law firm of Schulte Roth & Zabel LLP. He has extensive experience in private investment funds, hedge funds, private equity funds, offshore funds, investment advisers and broker-dealers.

Larry Zicklin ([lzicklin@nb.com](mailto:lzicklin@nb.com)) is a Clinical Professor of Finance and former CEO and Chairman of Neuberger Berman. He currently serves as Audit Chair on the Board of Neuberger Berman LLC.

**COURSE OBJECTIVES**

The purpose of this course is to introduce the student to a broad range of ethical issues that professional managers face with increasing frequency. In the academic community these are considered “non-market,” but we assure you that they are anything but non-market. Our time together will be designed to help the student develop a set of analytical perspectives for making judgments when, not if, such issues arise. When they do occur, it is further proof that in the business world not every decision can be modeled or reduced to a mathematical equation. **Judgment** therefore becomes the key factor that separates those executives who attain great success from those whose careers never quite reach their potential. To sharpen the student’s judgment, we will examine the role of ethical norms and reasoning in resolving the “non-market” issues in managerial life, and in establishing standards of professional responsibility. This will require a study of writings in the fields of ethical reasoning, professional responsibility, and the law. As part of the experience, students in this course will exercise professional judgment through discussion and analysis of cases that will be part of each class.

In our particular section we will spend a little more time on the FINANCIAL SERVICES industry, as this is where we have spent much of our respective careers, Paul in the law, and Larry on Wall Street. It’s also the place where so many shameful and unethical events have taken place over the past few years. As you might imagine, there will be some time spent discussing the recent economic crisis as well as analyzing some relevant readings and/or cases that emanated from it. We will, however, do them in greater detail and spend the necessary time in attempting to determine what happened and why. Second, while we intend to have you read some of the seminal readings in the field; much of the course will come directly from **current events** that touch on contemporary business ethics. If history repeats itself, some of those events will involve lapses in professional responsibility that will occur during our semester together. We will use those events to investigate

and discuss those that seem most pertinent. I hope you will share in what we hope is the adventure of having contemporary business events contribute to your ethics education.

As indicated above, our semester will be centered on one of the most difficult of business subjects: that is the matter of exercising good ethical judgments during difficult periods. When those times occur, you will lack complete information and the ticking clock will add to your pressures. You will feel very isolated and fearful of the consequences of what you're about to do. And that's where judgment comes into play. No matter how many tools you acquire, the application of good judgment will make all the difference in your career. During these weeks we spend together, we will attempt to sensitize you to the seductions that money, ambition and ego create. We will emphasize the "slippery slope" and how it often overrides good judgment. If you doubt it, consider the following comment from Joseph Berardino, former CEO of Andersen Worldwide, who had one of the higher paying positions in the accounting world: **"I paid the price, I lost my job. I lost my firm. I've got less money today than I had as the newly elected CEO. I lost my partner capital. I lost my retirement. I don't have any stock options. I may never work again."**

In short, we are into serious subjects that poorly handled, can cost you a career and, as some highly placed executives have recently learned, your freedom.

### **PREPARATION FOR CLASS**

The student's primary obligation in this course is to prepare for class discussion by a thorough reading and analysis of assigned materials. There will be many individual readings but they will normally be only a few pages in length and mostly derived from the current media. Case discussions and in-class activities are an essential part of the course and your participation will be reflected in your grade. In preparing for class, students are responsible for mentally preparing answers as to what happened, why it happened, how did it demonstrate an ethical issue and how would you respond to the event if you were in a position of authority. As a basis for further discussion, we will occasionally call on students to provide answers. So be prepared, as we never want to embarrass anyone.

### **Final Exam**

During our last class, there will be a final exam that will require you to exhibit an understanding of the readings and class discussions as you analyze a business ethics case. We will talk more about the exam during the semester but the case analysis should apply some methods of ethical or legal reasoning to the situation and offer potential solutions that should then be analyzed using appropriate concepts from our readings or class discussions. The student should also refer to the relevant law if applicable.

### **GRADING**

The weights for the student's overall grade are:  
Class Participation 40%;  
Final Exam 60%.

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**March 12, 2013**

**Class 1:** Introduction Course concepts, Ethical Theories, and Legal Frameworks – What is the purpose of the Corporation?

Cases: The Price of Lobster Thermidor, The Economist, August 23, 1997

Curem Pharmaceutical, Larry Zicklin

Readings: Introduction to Ethical Reasoning, Thomas Donaldson and Patricia Werhane, Eds.  
Ethical Issues in Business: A Philosophical Approach

The Problems of Corporate Purpose, Lynn A. Stout, Governance Studies

The Limitations of Markets, Neva Goodwin, Global Development and Environment Institute, Tufts University

The Social Responsibility of Business is to Increase Its Profits, Milton Friedman, New York Times Magazine, September 13, 1970

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**March 19, 2013**

**Class 2:** Responsibility and Truth in Business

Cases: Bitter Pill; How a Drug Firm Paid for a University Study, Then Undermined It, Ralph T.J. King, WSJ, April 25, 1996

SEC Complaint against Goldman Sachs and Fabrice Tourre, US District Court

Weighing The Trade-offs in the Goldman Settlement, Peter J. Henning and Steven M. Davidoff, New York Times, July 16, 2010

Readings: When Do Exaggerations and Misstatements Cross the Line? Stewart Friedman, Knowledge @Wharton.com, June 23, 2010

Bluffing, Jim T. Priest, Journal Record, May 9, 1998

Reflections on Reputation and its Consequences by Governor Sarah Bloom Raskin at the 2013 Banking Outlook Conference at the Federal Reserve Bank of Atlanta, Atlanta Georgia, February 28, 2013

Timeline: Libor-fixing scandal - BBC News Business, February 6, 2013 - (don't worry about the dates as we're only interested in having you understand that "Train wrecks don't happen in slow motion")

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**March 26, 2013**

**Class 3:** Gifts, Bribery, Conflicts of Interest and Transparency

- Cases: Goldman/Kinder Morgan/El Paso—As an Adviser, Goldman Guaranteed its Payday, Andrew Ross Sorkin, New York Times 3/5/12
- Half-Off Tacos for Officers: Prohibited but Part of Job, Joseph Goldstein New York Times 7/19/12
- Roger Berg, Ronald M. Green, The Ethical Manager 1994
- Dicing with Death? A Case Study of Guidant Corporation's Implantable Defibrillator Business, Martin Sandbu, 2007, Department of Legal Studies and Business Ethics, Wharton school of Business, Univ. of Pa.
- Readings: Managing for Organizational Integrity, Lynn Sharp Paine Harvard Business Review Reprint 94207
- At Siemens, Bribery Was Just a Line Item, Siri Schubert and T. Christian Miller, New York Times 12/21/2008
- The Economic Case for Bribery; You Get Who You Pay For— The Economist 6/2/12
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**April 2, 2013**

**Class 4:** Agency and Fiduciary Responsibility  
Social Responsibility to Stakeholders

Cases: Old City Enterprises by Larry Zicklin

The Last Days of MF Global: How Jon Corzine's Return to Wall Street Ended in Spectacular Calamity by Peter Elkind with Doris Burke, CNN Money 6/4/12

A CEO's Dilemma by Larry Zicklin

Readings: **U.S. and New York Sue Bank of New York Mellon Over Foreign Exchange Fees** By Eric Dash and Peter Lattman, New York Times, October 4, 2011

Why I Am Leaving Goldman Sachs, Greg Smith, New York Times, March 14, 2012

Disloyal Agents, David F. Cavers, (excerpt) Alabama Law Review—(Disregard the footnotes)

The Story Behind the Olympus Scandal by Karl Taro Greenfeld, BusinessWeek, February 16, 2012

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**April 9, 2013**

**Class 5:** Sales & Marketing Ethics

Cases: Responsibility Yes, But to Whom, Larry Zicklin

Phillip Morris' Global Race by Nanette Byrnes & Frederik Balfour,  
BusinessWeek, April 23, 2009

West Virginia Consolidated Investment Fund, Professor Ingo Walter, Stern  
School of Business New York University

Readings: MetLife Defends Death-Benefit Approach to Regulators by Leslie Scism, Wall  
Street Journal 5/20/11

The Extraordinary Science of Addictive Junk Food by Michael Moss, New York  
Times 2/20/13

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**April 16, 2013**

**Class 6:** Moral Standards Across Borders

Cases: The Oil Rig, Joanne B. Ciulla

Lives Held Cheap in Bangladesh Sweatshops, Barry Bearak, New York Times, April 15, 2001

Readings: In Praise of Cheap Labor: Bad Jobs at Bad Wages Are Better Than No Jobs At All, Paul Krugman, New York Times

Values in Tension: Ethics Away From Home, Thomas Donaldson, Harvard Business Review, September-October 1996

Universal Declaration of Human Rights, <http://www.un.org>

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**April 23, 2013**

**Class 7:** Insider Trading

Cases: Deciphering the Mosaic, Larry Zicklin

Trading Room Ethics, Larry Zicklin

Readings: The Case for Insider Trading, Henry G. Manne, Wall Street Journal, March 17, 2003

What is Insider Trading? <http://www.sec.gov/answers/>

Final Case Analysis in Second Half of Class

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