

LGST 612: RESPONSIBILITY IN PROFESSIONAL SERVICES

Spring 2013, Q3

Professor Kevin Werbach

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Session Times

LGST 612-007: MW 1:30-3:00pm
LGST 612-009: MW 3:00-4:30pm
Office hours: Monday 12-1:30pm

Course Description and Objectives

Businesses function in an environment defined not only by market forces, but also by legal, political, and ethical constraints. This course uses a professional services context to introduce students to important challenges they will face as leaders in such fields as financial services and consulting. However, the scope is not limited to these contexts, and the material will be equally useful to students preparing for any position owing duties to third parties such as partners, clients, suppliers, and customers.

This is a course about judgment. The primary goal is to develop skills in ethical and legal analysis to make individual-level decisions about the proper courses of action when duties, loyalties, rules, norms, and interests are in conflict. In today's environment, managers without exposure to these subjects can be woefully unprepared to develop business strategy or react to situations, at great cost to their firms.

Instructor

Kevin Werbach is an Associate Professor in the Legal Studies and Business Ethics department. In addition to publishing numerous articles on telecommunications and Internet policy, Werbach is a pioneer in the emerging field of gamification, and the co-author of *For the Win: How Game Thinking Can Revolutionize Your Business*. Outside his academic role, Werbach is the founder of Supernova Group, a technology analysis and consulting firm. He served on the Obama Administration's Presidential Transition Team in 2008, and later was an expert advisor to the U.S. Federal Communications Commission and the Department of Commerce on broadband issues. Prior to Wharton, Werbach was the editor of *Release 1.0*, a renowned monthly report on technology trends, and Counsel for New Technology Policy at the FCC. He was named Wharton's first Iron Prof in 2010 for his talk, "All I Really Needed to Know I Learned in World of Warcraft."

Course Materials

Coursepack available through Study.Net

Syllabus

Responsible Decision-Making	
January 7	<p>Doing the Right Thing <i>What does it mean to make business decisions in an ethical or responsible way? Is complying with the law enough? What are your personal moral intuitions or values, and how do they influence your answers?</i></p> <p><u>Prior to class:</u> complete Personal Information Survey in Canvas</p> <p><u>Read:</u> Michael Sandel, <i>Justice: What's the Right Thing to Do?</i>, pp. 3-10 Steve Lopez, "Disneyland Workers Answer to 'Electronic Whip'"</p>
January 9	<p>Ethical Frameworks <i>What are the different ways to evaluate tough decisions that have potential ethical and legal repercussions? What are the implications of each approach, and how can they help guide managers?</i></p> <p><u>Prepare:</u> Dicing with Death? case</p> <p><u>Read:</u> Donaldson & Werhane, "Introduction to Ethical Reasoning"</p>
January 14	<p>Conflicts of Interest <i>What happens when your obligations (legal or otherwise) come into conflict with one another? How do you decide what to prioritize? And what counts as a sufficiently significant conflict?</i></p> <p><u>Prepare:</u> The Analyst's Dilemma case</p>
January 16	<p>Global Context <i>This course does not center on global management, but an international perspective is still important. Legal/ethical conflicts become even harder when more than one set of laws or cultural norms is involved.</i></p> <p><u>Prepare:</u> Google in China case</p> <p><u>Read:</u> Tom Donaldson, "Values in Tension"</p>
Managing Legal and Ethical Risk	
January 23	<p>Guest Speaker: Harold Dichter <i>We will hear from a senior corporate legal executive about how legal and ethical considerations are addressed in a real-world context.</i></p> <p><u>Bio:</u> Harold B. Dichter is Senior VP and Associate General Counsel of Aramark, a \$13 billion managed services company. He is in charge of all securities matters, M&A; financing; and all aspects of corporate governance. Prior to Aramark, Mr. Dichter was an associate at Simpson Thacher & Bartlett in New York and Tokyo. He received his J.D., magna cum laude, from Harvard Law School and his B.A., summa cum laude, from the University of Pennsylvania.</p>

February 4	<p>Contracts <i>Contracts are voluntary legal instruments that anticipate and address potential disputes. In theory, they can address conflicts ahead of time, avoiding the need for difficult judgment calls about what might have been intended. As we will see though, contracts – while absolutely essential to functioning businesses – also have significant limitations in the real world.</i></p> <p><u>Read:</u> Basic concepts in the law of contracts (to be provided)</p> <p><u>Prepare:</u> A Wharton Student Gets an Unpleasant Surprise</p> <p><u>Assignment:</u> Find the “clickwrap” online agreement for a service that you use, or a company you have experience with. This is the contract (often called “terms of service” or “end user license agreement”) that you enter into by clicking on a button when joining or using a service. You should always be able to read the full text of the agreement by clicking on a hyperlink. Print out the agreement and bring it to this class. Highlight what you believe is the most surprising or interesting provision, and be prepared to discuss your reactions.</p> <p><u>Submit:</u> Topic for final paper</p>
February 6	<p>Compliance <i>When are the actions of individuals attributable to firms? How do companies, especially professional services firms, ensure their employees, contractors, and partners adhere to legal, governmental, and ethical duties?</i></p> <p><u>Prepare:</u> Gerson Lehrman Group -- Managing Risks case</p> <p><u>Read:</u> David Kaplan, “YouTube Founders’ E-Mails Show Struggles”</p>
February 11	<p>Dispute Resolution <i>Sometimes prospective measures fail to prevent a dispute from reaching the point at which one or both parties seek recourse through the courts. How do litigation and settlement relate to business and ethical considerations?</i></p> <p><u>Read:</u> G. Richard Shell, <i>Make the Rules or Your Rivals Will</i>, chapter 1</p>
<p>Responsibility in Relationships</p>	
February 13	<p>Employees and Shareholders <i>Some relationships give rise to a heightened standard of conduct known as fiduciary duties. However, the boundaries and obligations of fiduciaries are not always clear. What is the legal and ethical responsibility of firms to internal stakeholders such as employees and shareholders?</i></p> <p><u>Prepare:</u> The Employee “Exit Interview” – Common Information</p> <p><u>Read:</u> The Fiduciary Relationship: A Legal Perspective</p>

February 18	<p>Fraud and Insider Trading <i>When can failure to disclose or misappropriation of information result in legal liability? Is it unethical to benefit from material non-public information, and at what point do actions constitute illegal insider trading?</i></p> <p><u>Prepare:</u> The Inside Trader</p> <p><u>Read:</u> G. Richard Shell, Basic Elements of Business Fraud G. Richard Shell, Confidential Information Trading</p>
February 20	<p>Clients <i>What obligations do professional services firms owe to their clients? What happens when the firm's interest and the client's interest arguably conflict? These issues were raised acutely in the recent financial crisis.</i></p> <p><u>Read:</u> Reuters, "Goldman Sachs Charged with Fraud by SEC" The Economist, "A Price Worth Paying" Greg Smith, "Why I am Leaving Goldman Sachs" The Goldman Sachs Business Principles</p>
February 24	<p>Final paper due</p> <p>Your paper should be uploaded electronically in Word or PDF format via the Canvas assignment link. The deadline is midnight on Sunday, February 24.</p>
February 25	<p>Broader Conceptions of Corporate Responsibility <i>Should individuals and firms have to do more than manage to maximize shareholder value? Do businesses have responsibilities to broader classes of stakeholders? Should business be treated as a "profession?"</i></p> <p><u>Read:</u> Reason Magazine, "Rethinking the Social Responsibility of Business" Khurana, Nohria & Penrice, "Is Business Management a Profession?"</p>

Grading

Quizzes (20%)

There will be three quizzes done online on Canvas. These will focus on the course reading materials but may also include key points from the class sessions. You may refer to the readings or your notes, but you must do the quizzes individually.

Participation (30%)

You will be assessed on the overall quality of your contributions in all forms of class discussion. Attendance is one factor in the participation score, but not the primary one.

Final paper (50%)

The largest single component of the grade will be a paper of 6-10 pages in length, double spaced, which is *prior to* the final class session (in order to avoid conflicts with the many other exams and final assignments at the end of Q3). Details on the assignment are provided below.

All assignment deadlines are specified in Canvas, so please set up appropriate notifications to complete the assignments on time. Unexcused late submissions may be accepted with a markdown at the professor's discretion.

Final Paper

The topic for your final paper must be approved by the instructor in advance. You must submit a proposed topic via Canvas by Monday, February 4, although early submissions are encouraged. Your topic must meet the following criteria:

1. Address one or more issues of law, ethics or both.
2. Involve a real-world situation or company. (Could be a hypothetical development based on an existing situation, such as a proposed law being passed.)
3. Relate to a personal or career interest of yours.

The topic proposal need only be a sentence or two if that is sufficient to convey the idea. The intent of this assignment is to give you leeway to pick a topic that you find meaningful and that advances your understanding of responsibility in business. As starting points, here are some ideas:

- Write an ethics code or clickwrap terms of service agreement for your former company. (Or, critique its existing one.)
- Should professional services firms be subject to different standards of conduct than other kinds of companies?
- Should the U.S. government have imposed antitrust sanctions on Google?
- How well the company you worked for handled a lawsuit, and what the best strategy would be for similar legal issues it might face in the future.
- Do "expert networks" constitute insider trading?
- How Wal-Mart should respond to its recent bribery case in Mexico?
- Should brokers be treated as fiduciaries under U.S. law, like investment advisors?
- Should gun manufacturers be held legally liable for injuries caused by shootings?
- Has the transition of investment banks such as Goldman Sachs from partnerships to public companies compromised ethics?
- Do MBA graduates believe they had sufficient training in legal and ethical responsibility in business school, and what do they feel could have been better?

You are expected to obtain additional information beyond your own viewpoint and the course materials. Depending on the topic, this might mean outside research, surveys of fellow students, or interviews with businesspeople. The paper must be written individually, but you may discuss your topic or conduct interviews with anyone you choose.

Classroom Expectations

I will follow the normal Wharton concert rules, with the following exceptions/addenda:

- Unlike many Wharton faculty, I do not object if you use laptops, tablets, or other electronic devices in class. However, this is a two-way street. I expect you to be focused during class and to limit your use of electronic devices to note-taking or other activities that contribute to learning.

- Attendance will be taken at the beginning of each class. If you arrive late, it is your responsibility to send me an explanatory email in order to be marked as present. If you are unable to attend a session but can come to the other section that day (1:30 or 3:00 on MW), you will be marked as present if you notify me beforehand by email.
- All class sessions will be video recorded, and available on the Wharton Video Network. You are welcome to review the videos for any reason, but please note that attendance and class participation are still expected and counted toward your grade.
- Please bring a name tent to each class (or make one). I try hard to give accurate credit for class participation, but it is difficult to memorize everyone's face in a short course.

Student-Faculty Lunches

I would be glad to have lunch with groups of students during the course, or in Q4 after it concludes. For reference, I work in three primary areas: Internet and telecommunications regulation; technology industry trends; and gamification (application of digital game design techniques to business). I would be glad to discuss any of these topics, or issues more directly related to the course.

If you are interested in scheduling a lunch, please sign up in groups of 3-7 through the tool provided on the Canvas course site.

Ethics Matrix

	Materials							People				
LGST 612 Responsibility in Professional Services	Approved calculator	Laptop / other electronics	Summary sheet	Current book / class notes	Past notes / summaries	Past exams / assignments	Internet content / other outside materials	Learning team / approved work team	Other student(s) in same section	Student(s) in other sections (same term)	Wharton student not taking the class this term	Person outside of Wharton
Readings & Cases	A	A		A				W	D	D		
Quizzes	A	A		A								
Final Paper	A	A	A	A	A	A	A	D	D	D	D	D
	A = Allowed material Shaded Cell = Not allowed							W = Allowed to work together D = Discussion of general concepts and procedures is allowed but no sharing of specific answers. Shaded Cell = Not allowed				
The information above covers many common situations but will not cover every circumstance. Remember: The Wharton MBA Code of Ethics that you accepted requires, among other things, that you represent yourself and your work honestly, don't try to gain unfair advantage over other students, follow the instructor's guidelines and respect confidentiality of your work and the work of others. Should you have questions, please contact your ethics liaison or professor.												