

The Wharton School
University of Pennsylvania
Legal Studies and Business Ethics Department
LGST 611
RESPONSIBILITY IN GLOBAL MANAGEMENT
Spring Quarter 3, 2014
(Note: subject to revision)

Instructor:

Mark Schwartz, MBA, JD, PhD

Office: 650 JMHH

Office Hours: Tuesdays and Thursdays: 12:15 p.m. – 1:15 p.m. (or by appointment)

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Classrooms: 001/003 (Mon/Wed.) - 250 JMHH

007/009 (Mon/Wed.) - 255 JMHH

013/015 (Tues/Thurs.) - 240 JMHH

Overview: This module considers the legal and ethical responsibilities of managers and others who play significant roles within business enterprises. It examines difficult ethical conflicts and dilemmas that arise in a global business context. It is designed to reveal common patterns of success and failure in dealing with ethical decisions in business. Its objective is to help students anticipate issues they will confront in their business careers and to develop skills to think more clearly how such issues can and should be resolved. Class sessions will focus on discussion of cases, exercises, and theoretical frameworks used for interpreting practical problems in business ethics.

The ‘Responsibility in Global Management’ module has four objectives:

- To foster an understanding of the ethical responsibilities involved in global management;
- To improve individual skills in identifying and analyzing a select number of ethical issues that business managers face in the context or situation in which they arise;
- To encourage the development of action plans that resolve ethical conflicts and dilemmas once they have been identified; and
- To critically examine the assumptions and values that everyone brings to complex business decisions that raise ethical issues.

Reading Materials:

The required text is *Corporate Social Responsibility: An Ethical Perspective* (Schwartz, M.S., Broadview Press, 2011) available at the bookstore. In addition to the *book*, all additional reading materials (articles and cases) for each week can be found in the *course pack*, which is available through the **Canvas** course website. Additional items may be added during the semester. Items are marked by location in the list below.

Grading:

The final grade will be based on a closed book multiple choice mid-term exam worth **30%**, as well as an open book take-home final exam worth **70%**. Although class participation is not formally part of the final grade, attendance at all sessions and contribution to class discussion is still expected. You should inform me by email (schwartz@yorku.ca) if you are unable to attend any session. The submission of a personal ethical dilemma is also required (pass/fail). The final exam involves the analysis of a case study, making use of the tools and materials discussed in class. The final exam will be available in case form and posted on the Canvas site on **Thursday, February 27th** and is **due on Friday, March 6th by 3:00 pm** [please note that late exams will be subject to a grade deduction of 5 percent per day (every 24 hours) for any reason with no exceptions]. Final exams will be submitted onto the *Canvas* course website.

Ethical Dilemma Assignment (Due Date: Beginning of 2nd Session, January 15th or 16th)

Students will be required to submit an actual ethical dilemma that they have encountered in a work environment. The write-up should include two parts: Part A - a brief description of the situation, the central issue or dilemma, and the possible options (clearly identify them); Part B - how the dilemma was resolved including any remaining issues. Several dilemmas will be selected for discussion throughout the course. Students should be prepared to acknowledge that they were the author of the dilemma, and to discuss it in class. In order to respect privacy and the confidentiality of others however, students are not required to identify other individuals involved, nor any organization involved. Length: 1 page. Students should bring a hard copy to be submitted at the beginning of the second session as well as submit their assignment on the *Canvas* course website prior to class. Pass/Fail grade.

Class 1 (Jan. 13th or 14th)

Topic: Introduction to Business Ethics

The first session is intended to introduce students to the topic of business ethics. Topics to be covered include: definitions of key concepts in business ethics; discussion of some of the myths regarding business ethics; and how ethics relates to law, religion, and etiquette. Students will also engage in a 'market morality' exercise by determining whether they will place their salaries in a public and/or private account.

There are no assigned readings for the first session.

Class 2 (Jan. 15th or 16th)

Topic: Moral Development and Moral Responsibility

In this session we cover a number of topics such as the stages of moral development, moral responsibility, and introduce the moral reasoning process. The question of who is or should be considered a stakeholder is also discussed. We conclude with a discussion of the 'Parable of the Sadhu' case and how it might relate to a typical business ethics dilemma. In this case, an investment banker must decide whether to save a sadhu (i.e., an Indian holy man) or continue with his life-long dream of climbing the Himalayan mountains.

Assignment:

- Case: Parable of the Sadhu (McCoy, Bowen, *Harvard Business Review*, May/June, 1997, pp.2-7).
[coursepack]

Case Assignment Questions:

1. What would you do if you were Bowen McCoy and encountered the Sadhu?
2. How does this dilemma relate to an ethical dilemma one might face in business?

***Note: Your personal ethical dilemma must be submitted both in hard copy at the beginning of this session and posted on Canvas before class.**

Class 3 (Jan. 21st or 22nd)

Topic: Ethical Decision Making - How Does One Know What is Morally Right or Wrong?

Over the next two sessions, the basic tools are provided for engaging in ethical analysis and decision making. We focus on the question: How does one know what is ethical in business? In order to explore this, students are introduced to the first set of moral standards (e.g., core ethical values, relativism, egoism, utilitarianism) that can be used in helping to determine whether a course of action is ethical.

Reading:

- Schwartz, M.S. "The Nuts and Bolts of Determining Ethical Responsibility," *Corporate Social Responsibility: an Ethical Approach*, Peterborough, Ontario, Broadview Press (2011) (Chapter 2) [**Book**].

Class 4 (Feb. 3rd or 4th)

Topic: Ethical Decision Making - How Does One Know What is Morally Right or Wrong? (Continued)

In this session, the remaining moral standards are discussed (Kantianism, moral rights, and justice) that can be used in helping to determine whether a course of action is ethical. Each of the moral standards will then be applied to the 'The Analyst's Dilemma' case.

Assignment:

- Case: The Analyst's Dilemma [HBS 394-056] [**coursepack**]

Case Assignment Questions:

1. What would you do if you were the analyst? Upon which moral standards do you base your decision?
2. To whom do you owe a greater loyalty, your friend or your employer?

Class 5 (Feb. 5th or 6th)**Topic: Corporate Social Responsibility**

This session confronts broad issues of corporate ethics and social responsibility. Is a firm's obligation toward society merely to maximize profits while obeying the law? (i.e., Milton Friedman's position?). Or are there additional ethical and/or philanthropic obligations as well? Students should be prepared to present and defend their position on CSR. We then discuss case study of Merck which presents the difficulties in deciding whether it is appropriate for a public company to spend shareholder's money on a pill to help cure river blindness around the world, even when prospective customers are too poor to pay for the medicine.

Assignment:

- Case: Merck & Co., Inc. (A), [BET 9-991-021] [*coursepack*]

Case Assignment Questions:

1. What course of action should Merck take regarding the development of a drug for River Blindness?
2. What action would Milton Friedman (see reading below) recommend Merck take?

Readings:

- Milton Friedman. "The Social Responsibility of Business Is To Increase Its Profits," *New York Times Magazine*, September 13, 1970. [*coursepack*]
 - Schwartz, M.S. *Corporate Social Responsibility: An Ethical Approach* (Chapters 3 and 4) [**Book**]
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Class 6 (Feb. 10th or 11th)**Topic: Legal and Ethical Obligations of Employees**

The session begins by asking the question: 'Is greed good?' We then explore several conflict of interest issues faced by employees. For example, is it ethically acceptable to receive or give gifts and entertainment with respect to suppliers? We know it's illegal, but what exactly is unethical about insider trading? Under what circumstances can internal or external whistle-blowing ever be considered morally obligatory, or even morally permissible?

Assignment:

- Case: Banking – A Crack in the Swiss Vault (*60 Minutes*, January 3, 2010). [*coursepack*]

Case Assignment Questions:

1. What would you have done if you were Bradley Birkenfeld?
2. Should Mr. Birkenfeld be punished, or rewarded for his whistleblowing?

Readings:

- Matthew Gilley and W. Michael Hoffman, "Will Rewards for Whistleblowers Encourage Ethical Behavior?" *The CQ Researcher*, 21 (May 6, 2011), p. 425. [*coursepack*]

Class 7. Mid-Term Exam (Closed Book) (Feb. 12th or 13th)

Class 8 (Feb. 17th or 18th)

Topic: Legal and Ethical Obligations to Shareholders

This session deals with obligations to shareholders, in terms of appropriate corporate governance and the legal and ethical obligations of boards of directors and senior executives. Various corporate ethical scandals (e.g., Enron, the recent financial crisis) including their causes will also be discussed. Government regulations that were promulgated to help avoid future misconduct such as the U.S. *Sarbanes-Oxley Act* (2002) and the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (2010) will also be briefly outlined, along with how best to ethically respond to a corporate ethical crisis.

Assignment:

- Case: “Bailouts and Bonuses on Wall Street,” by Kirsten Martin and Michael Scotto, Business Roundtable (2010). [*coursepack*]

Case Assignment Questions:

1. Should the Goldman Sachs’ traders receive their bonuses?

Readings:

- Donaldson, Thomas. “Three Ethical Roots of the Financial Crisis,” *Journal of Business Ethics* (2012), 106(1), pp.5-8. [*coursepack*]
 - Smith, Greg. “Why I am Leaving Goldman Sachs,” *The New York Times* (March 14, 2012) [*coursepack*]
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Class 9 (Feb. 19th or 20th)

Topic: Legal and Ethical Obligations to Customers and Clients

This session focuses on the responsibilities of firms to their customers and clients. What is a manufacturer's obligation with respect to product defects? Do mistakes always need to be disclosed to one's clients? As an illustration, we will discuss the "Dicing with Death" case involving Guidant's decision not to disclose to their customers or doctors a defect in one of their products.

Assignment:

- Case: "Dicing with Death? A Case Study of Guidant Corporation's Implantable Defibrillator Business," by Martin E. Sandbu. [*coursepack*]

Case Assignment Questions:

1. What would you do if you were Guidant? Would you inform the doctors?
 2. Upon which moral standards do you base your recommendation?
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Class 10 (Feb. 24th or 25th)

Topic: Responsibility to the Natural Environment and Society

This session introduces the topic of sustainability including non-financial accountability. Key concepts are discussed including the 'triple bottom line' (i.e., economic, environmental, and social), social entrepreneurship, corporate philanthropy, and the growing importance of business firms taking into account impacts on the natural environment and society.

Assignment:

- Case: "Barrick's Tanzanian Project Tests Ethical Mining Policies", by Geoffrey York, *Report on Business Magazine*, The Globe and Mail, Sept. 29, 2011 [*coursepack*]

Case Assignment Questions:

1. What are Barrick's obligations with respect to its mining practices in Tanzania?

Readings:

Schwartz, M.S. *Corporate Social Responsibility: An Ethical Approach* (Chapter 5) [*Book*]

Class 11 (Feb. 26th or 27th)

Topic: Legal and Ethical Obligations in International Business

This session will address ethical issues related to international business. The key question to be explored is: ‘When in Rome, should one do as the Romans do? Or should one do as one does at home?’ Topics to be discussed include: bribery and corruption, operating in countries with less stringent legal requirements or repressive regimes that infringe basic human rights, and ethical issues related to overseas suppliers.

Assignment:

Case: ““Google in China” (A) [HBS 9-510-071] by John Quelch and Katherine Jocz. [*coursepack*]

Case: “Chiquita to Plead Guilty To Ties With Terrorists,” *CNN*, March 14, 2007. [*coursepack*]

Case Assignment Questions:

1. What would you do if you were Google? Would you accept the Chinese government’s censorship of the site?
2. What would you do if you were Chiquita? Would you make the payments to protect your employees and be able to continue operations?

Reading:

- Donaldson, Thomas, “Values in Tension: Ethics Away from Home,” *Harvard Business Review*, September-October, 1996. [*coursepack*]
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Class 12 (Mar. 3rd or 4th)

Topic: Ethical Corporate Culture, Review and Conclusion

Our final session begins with a discussion of the “Difficult Hiring Decision” case, which involves deciding which of three final candidates should be hired for a VP position. We then discuss how firms and managers can develop and sustain an ethical corporate culture that supports and encourages legal and ethical behavior. This session will then conclude with a brief review of all of the material in the course.

Assignment:

1. Case: “A Difficult Hiring Decision at Central Bank,” Schwartz, M.S. and Copp, H., London, Ontario: Ivey Publishing, 2006 (9B06C004). [*coursepack*]

Case Assignment Questions:

1. Who would you hire as the new bank Vice President, and on the basis of which criteria?

Reading:

- Schwartz, Mark. “Developing and Sustaining an Ethical Corporate Culture: The Core Elements,” *Business Horizons*, 2013, Vol. 56, pp. 39-50. [*coursepack*]

Ethics Matrix

	Materials							People				
LGST 652 Ethics & Responsibility Instructor: Schwartz	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				D	D	D		
Graded Cases	A	A		A				D	D	D		
Final Exam Prep	A	A		A								
Final Exam	A	A		A								
	A = Allowed material Blank Cell = Not allowed							W = Allowed to work together D = Discussion of general concepts and procedures is allowed but no sharing of specific answers. Blank Cell = Not allowed				
<p>Other comments: These requirements are meant for those sections of 611 taught by Professor Schwartz. Other sections may have slightly different requirements.</p>												
<p>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.</p> <p>Should you have questions, please contact your ethics liaison or professor.</p>												