

UNIVERSITY OF PENNSYLVANIA  
THE WHARTON SCHOOL  
DEPARTMENT OF LEGAL STUDIES & BUSINESS ETHICS  
LGST612 Section  
Spring 2016  
Responsibility in Business

SYLLABUS

Classroom: Room 255 JMHH  
Office: 634 JMHH  
Class times: Tuesdays, 3:00-6:00 PM  
Office Hours: by appointment  
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Instructors: Professors Paul Roth and Larry Zicklin:

Paul Roth ([paul.roth@srz.com](mailto:paul.roth@srz.com)) is one of the founding partners in the law firm of Schulte Roth & Zabel LLP., where he advises public and private companies in the financial services business. He also 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 at the Stern School at NYU and retired CEO and Chairman of Neuberger Berman where he is currently a Director and Chairman of the Audit Committee.

COURSE OBJECTIVES

The purpose of this course is to introduce students to a broad range of contemporary ethical issues that we believe professional managers invariably face. Together, we will explore concepts and methods designed to make you a more effective and honorable professional. Your time in this course will be well invested if we can help you prepare for the types of traps that lure seemingly honorable business professionals into ethical lapses and criminal behaviors that can ruin careers, destroy companies, and bring shame to families, associates, and the business community. Our efforts will be designed to help students develop a set of analytical perspectives that will permit them to navigate ethical grey zones with more confidence resulting in superior outcomes.

We will attempt to familiarize you with the basic principles that allow companies or teams to be more effective and less prone to ethical lapses. When ethical lapses do occur, (and they invariably will) 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 a **major** part of each class.

In our particular section we will spend a little more time on the FINANCIAL SERVICES industry, as this is where the two of us have spent much of our respective careers. It's also the place where so many shameful and unethical events have taken place over the past years. As you might imagine, there will be some time spent discussing the financial crisis that began in 2007 as well as analyzing some relevant readings and/or cases that emanated from it. 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 after the syllabus has been prepared or perhaps during our time together. We will then adjust the syllabus and discuss those events that seem most pertinent in the light of our quest for improved professional responsibility. We hope you will share in the adventure of having contemporary business events as part of 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 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, which was then one of the "big five" accounting firms. After the firm failed, Berardino said: "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, all of which can be found on Study.net or the web address noted in the individual lecture. 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 will be an essential part of our time together. In preparing for class, students are responsible for mentally preparing answers as to what

happened, why it happened, how it demonstrated an ethical issue and how you might respond to the event if you were in a position of authority. As a basis for further discussion, we will often call on students to provide answers. So be prepared, as we never want to embarrass anyone.

### Weekly Paper:

Students will be required to hand in a paper each week which should not be more than one page in length and sets forth your reactions to, or comments on, one or more of the readings or cases assigned for the upcoming class. The papers will not be graded, but failure to complete the papers in an adequate and timely manner will adversely affect the course grade. The purpose of the papers is to have students prepared to participate in class with thoughts they have considered and expressed, and to be willing and able to discuss those thoughts in class. It also gives your instructors some insight into your thinking so that we might be even better prepared to maximize our class time. The papers are due before midnight on the Sunday evening before our Tuesday class.

### Class Participation:

Our class functions best when students are involved in the discussions. A lot of what we do can be approached from different points of view which means we will be operating in a world of "gray," and the number of absolutely correct answers will be few. Therefore, we relish hearing observations from our students, especially from those of you who come from different cultural environments than your instructors. Participation will be defined not based on the number of times you speak, but on the quality of your ideas and insights that enrich the learning experience. It should be noted that you can't participate if you're not in the classroom, so please be prepared to attend all classes. Attendance will be a factor in the determination of your grade.

### Final Exam

Our final exam will take place on Thursday, May 3 at noon in a room to be announced. Grades will be determined based on your ability to exhibit an understanding of the readings and class discussions. We will talk more about this during the semester but be assured that we are always looking for a demonstration of reasoning and judgment as opposed to a recitation of facts.

### GRADING

The weights for the student's overall grade are:

Class Participation 1/3;

Final Exam 2/3rd

March 15, 2016

**Part 1: Introduction-- Course concepts- Dealing with authority--The purpose of the Corporation**

**Cases:**

“The Price of Lobster Thermidor” The Economist, August 23, 1997

**Readings:**

“Milgram Experiments on Authority”

<http://vimeo.com/15348932>

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**Part 2: The Financial Crisis and Its Relevance to Responsibility in Business**

**Cases:**

Goldman Sachs and Abacus: “SEC Complaint against Goldman Sachs and Fabrice Tourre”

<http://www.sec.gov/litigation/litreleases/2010/lr21489.htm>

**Readings:**

(Video) Too Big to Fail <http://viooz.co/movies/574-too-big-to-fail-2011.html>

“The Culture That Gave Rise to the Current Financial Crisis,” John C. Bogle, Founder and Former Chief Executive of the Vanguard Group, May 13, 2009

[http://www.vanguard.com/bogle\\_site/sp20090513.html](http://www.vanguard.com/bogle_site/sp20090513.html)

March 22, 2016

## **Part 1: Responsibility and Truth in Business**

### **Cases:**

“Maker of Heart Device Kept Flaw from Doctors,” by Barry Meier, N.Y. Times 5/24/05  
<http://www.nytimes.com/2005/05/24/business/maker-of-heart-device-kept-flaw-from-doctors.html? r=0>

“United Faces Questions Over CEO’s Health” by Susan Carey and Joann S. Lublin, WSJ, 1/7/2016  
<http://www.wsj.com/articles/united-continental-says-ceo-oscar-munoz-in-good-health-after-transplant-1452207978>

### **Readings:**

“Is Business Bluffing Ethical” Albert Carr

“When Do Exaggerations and Misstatements Cross the Line?” by Stewart Friedman  
<http://knowledge.wharton.upenn.edu/article/when-do-exaggerations-and-misstatements-cross-the-line/>

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## **Part 2: Gifts, Bribery and Conflicts of Interest**

### **Cases:**

“Roger Berg,” by Ronald M. Green, the Ethical Manager 1994

### **Readings:**

“The Economic Case for Bribery: You Get Who You Pay for; Corruption,” The Economist 6/2/12  
<http://www.economist.com/node/21556255>

“Hiring in China by JPMorgan Under Scrutiny,” by Jessica Silver-Greenberg, Ben Protess, and David Barboza <http://dealbook.nytimes.com/2013/08/17/hiring-in-china-by-jpmorgan-under-scrutiny/>

March 29, 2016

## **Part 1: Social Responsibility in Business**

### **Cases:**

“Curem Pharmaceutical,” by Larry Zicklin

“Drug Goes From \$13.50 a tablet to \$750, Overnight,” by Andrew Pollack, N.Y. Times, 9/20/2015

<http://www.nytimes.com/2015/09/21/business/a-huge-overnight-increase-in-a-drugs-price-raises-protests.html? r=0>

### **Readings:**

“The Social Responsibility of Business is to Increase Its Profits,” by Milton Friedman, N.Y. Times 9/13/70

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## **Part 2: Responsibility in Business continued**

### **Cases:**

“Old City Enterprises” by Larry Zicklin

“Responsibility to Whom” by Larry Zicklin

### **Readings:**

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

“Investment Riches Built on Subprime Auto Loans to Poor,” by Michal Corkery and Jessica Silver-Greenberg, NYT 1/26/15

<http://dealbook.nytimes.com/2015/01/26/investment-riches-built-on-auto-loans-to-poor/? r=0>

April 5, 2016

## **Part 1: Agency, Fiduciary Responsibility and the High Performance Workplace**

### **Cases:**

“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

<http://www.nytimes.com/2011/10/05/business/new-york-state-says-bank-of-new-york-mellon-cheated-pension-funds.html>

“How the forex scandal happened” by Philip Augar

<http://www.bbc.com/news/business-30003693>

### **Readings:**

“Fiduciary Duties of Employees” by J. Robert Smith

<http://www.fiduciarylblog.com/2014/11/fiduciary-duties-of-employees.html>

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## **Part 2: Insider Trading**

### **Cases:**

"Deciphering the Mosaic" Larry Zicklin

### **Readings:**

“What is Insider Trading?” <http://www.sec.gov/answers/insider.htm>

“Busting Insider Trading: As Pointless as Prohibition” by Henry G. Manne, WSJ 4/28/14

<http://www.wsj.com/articles/SB10001424052702304279904579516170211639290>

April 12, 2016

## **Part 1: Sales and Marketing Ethics**

### **Cases:**

“Goldman/Kinder Morgan/El Paso: As an Advisor, Goldman Guaranteed its Payday,” by Andrew Ross Sorkin, N.Y. Times 3/5/12

<http://dealbook.nytimes.com/2012/03/05/advising-deal-goldman-sachs-had-all-angles-for-a-payday/? r=0>

### **Readings:**

“Fair Play Measured In Slivers of a Second,” by James Stewart, N.Y. Times 7/13/13

<http://www.nytimes.com/2013/07/13/business/the-ethics-of-a-split-second-advantage-for-traders.html?pagewanted=all& r=0>

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## **Part 2: Sales and Marketing Ethics continued**

### **Cases:**

“West Virginia Consolidated Investment Fund,” by Ingo Walter, NYU Stern School

### **Readings:**

MetLife Defends Death-Benefit Approach to Regulators,” Leslie Scism, Wall Street Journal

<http://www.wsj.com/articles/SB10001424052748704083904576333611610337184>

April 19, 2016

## **Part 1: Moral Standards Across Borders**

### **Cases:**

“The Oil Rig” Joanne B. Ciulla

### **Readings:**

“In Praise of Cheap Labor: Bad Jobs at Bad Wages Are Better Than No Jobs At All” Paul Krugman

[http://www.slate.com/articles/business/the\\_dismal\\_science/1997/03/in\\_praise\\_of\\_cheap\\_labor.html](http://www.slate.com/articles/business/the_dismal_science/1997/03/in_praise_of_cheap_labor.html)

“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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**Part 2: We are reserving this last class in anticipation of “something” happening between the preparation of this syllabus and today. If nothing happens, we will be surprised, but prepared, as we have an inventory of material that is worth discussing.**

Case:      **Class Exercise**