Professional Responsibility and Leadership:
FALL, 2004
Stern School Undergraduate Division

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Day/Time: Monday’s 4:55pm
Location: T-LC 9
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Description
This course asks the student to consider (i) the role of business in society, on a local, national, and global basis, (ii) economic and ethical aspects of acting as a business professional and the responsibilities that these imply, (iii) several models or themes of "leadership" and their application to business. Moreover, this course asks the student to see the relationships among these three topics. This is a course in making connections.

The objective of this course is to introduce the student to a broad range of issues encountered by managers and business professionals, and to help the student develop a set of analytical perspectives for making judgments when such issues arise. In economics many of these issues can be described as market failures or imperfections. To a limited extent, we will illustrate how the legal system is used to address these failures of the market economy. We will also examine the role of ethical norms and reasoning in resolving such issues in managerial life, and in establishing standards of professional responsibility.

More directly, the student in this course will exercise professional judgment through discussion and analysis. Most exercises will require the analysis of one or more cases, as indicated on the attached schedule of class assignments. In addition, we will study writings in the fields of ethical reasoning, professional responsibility, and the law.

This is an interdisciplinary capstone course, building on all of the student's prior core coursework. Its goal is to help the student develop a personal sense of what a business professional or leader really is and what it means to be one, and consequently of how such a person conducts him- or her-self in ambiguous, uncertain situations, balancing self-interests and those of the firm within the larger context of society, ethics, and law.

Class sessions will include discussion, in-class analyses, role-playing, and several guest speakers.
Preparation for Class
The student’s primary obligation in this course is to prepare for class discussion by performing a thorough reading and analysis of assigned materials. Case discussions and in-class activities are an essential part of the course. Sessions #2 through #14 each have a number of study questions. All students are responsible for mentally preparing answers to all these questions before coming to class. The instructor will ask some students to provide their answers orally, as a basis for further discussion.

Written Study Question Essays
Each student should perform a written analysis for 10 study questions over the course of the term. That is, for 10 sessions of his or her choosing the student should write out his or her analysis for any one of the assigned study questions. These analyses should be approximately 2 pages in length. See the grading section for more details on the content of the essays.

Overall Grading:

Essays - Each student should perform a written analysis for 10 study questions over the course of the term. That is, for 10 sessions (out of a total of 14 classes) of his or her choosing the student should write an analysis for any one of the assigned study questions. These questions can be found in the syllabus. These essays should be at least 2 pages in length. This essay will contain detailed analysis of all relevant topics covered in class integrating both the assigned readings and any handouts from class. It is also important to integrate all relevant class discussions into your essay and thoroughly develop and support your conclusions. Extra credit will be given when you bring in outside sources to support your comments or conclusions. (These 10 essays will account for 50% of final grade)

Details of essay grading:
· Grading of essay - This essay will contain detailed analysis of the question to be answered. The answer will contain relevant concepts covered in class integrating both the assigned readings and any handouts from class. Providing your thoughts with little to no backup from supporting materials will not be considered a good essay. It is important to thoroughly develop and support your conclusions. How I grade? I’m easy…I grade you on the quality of your discussion of the topics at hand. I can’t grade on your conclusion - so what I do is grade you on the process you use to develop and support your conclusions. You may bring in outside sources to support your comments or conclusions. The more detailed and thorough the discussion and analysis the higher the grade.
· Stern Schools’ Code of Honor – All of these essays are an individual effort. No sharing of ideas is permitted.
Detailed Instructions for each essay paper:

- Name on top
- Date paper is handed in.
- Write out the session # and full question you are answering at the top of each essay.
- You have the option to create your own question. If you create your own question you will be graded on the creativeness and difficulty of the question.
- Each paper is to be written on the topics of each class, assigned readings, handouts and topics raised and classroom discussion. The more detailed your analysis the higher your grade.
- Only one essay per session for the class. (Even thought there is usually two or more questions to choose from in each session.)
- A good paper is at least 2 pages in length but there is no minimum or maximum length.
- All papers are recommended to be written shortly after each class. This is recommended but not required. All papers are due by **DECEMBER 6TH**. This is the final deadline for all papers except for those papers written on the topics of the last two classes. The final class is on December 13th.
- Papers can be handed in at the beginning of each class. I will try to grade each paper within 3 weeks of receipt. Graded papers will be handed out at the end of each class.
- Papers written shortly after each class are always better papers than those that are written at the end of the semester. I usually grade papers in a more positive light when submitted on a regular basis throughout the semester. Also the feedback which you will receive from my grading will allow you to improve future papers. Handing all the papers in on the Deadline date will not give you this opportunity because I will not have these papers graded before the last class. The papers written on the last two classes are due at the same time the final exam is due.

**Classroom Participation** - To foster critical thinking and analysis, students will routinely present ideas and arguments in class. This class participation will also be graded. **(25% of final grade)**.

Grading on classroom participation: I want every student to come prepared to each class. This involves reading the assigned readings and being prepared to discuss the material in class. You can get an idea of the topic by reading the syllabus closely. I want each student to be active in the classroom discussions. Your classroom participation grade is based solely on the quality not quantity of your participation in the classroom.

Class Attendance: I understand that all of you have busy schedules which include such things as work, religious requirements, family commitments, and interviewing for jobs. However, I expect you to show up prepared for this class each week. You should not be attending this class if you think there is even a possibility that you will miss class. I will distribute each week an attendance sheet. I will grade each student for their class participation in each class and each absence will reduce this grade. I will allow each
student one absence without a grade reduction and after two absences there will be significant grade reductions for classroom participation.

**Final Exam** - To encourage mastery of course materials and readings, there will also be an essay question final exam. *(25% of final grade).*

**Other Information:**
Picture: Bring a Xerox copy of your student ID card to the second class. – I want a picture of every student for my files. This assists me in quickly assigning the proper credit for classroom participation.

Seating: Please sit in the same seat for every class.

Civility in the Classroom: Please follow the instructions and norms of NYU classroom behavior.

Materials from class. I do not maintain a library of all handouts in class so if you need copies your best bet is to obtain copies from other classmates.

Keeping Records: It is your responsibility to maintain proper records that allows you to determine if you have handed in the assigned number of essays.

Essay delivery: Hand to me at the beginning of each class.

Essays: Once delivered to me the essays you submit are my property and may not be returned.

**Textbook:**
All cases and readings for this course are found in the following book. There is no need to purchase this book. I will provide the handouts in every class or scanned copies on the blackboard.

Professional Responsibility: Markets, Ethics, and Law
**Cases and Readings for 2003-2004**

The textbook is available in the NYU Professional Bookstore. *Note that the edition for the current academic year, 2003-04, is different from prior editions.* Make sure you have the current edition.
Topics

SESSION #1  Economic Agents or People?
Using the case “Monday 9:01AM” we explore the limits of market mechanisms (as described by Adam Smith in Wealth of Nations) in managing a sensitive situation at the office. We will also, in our discussion refer to John Ruskin’s criticisms of economic models of men, as expressed in Unto This Last.

Readings: Monday 9:01AM, by Ronald Smithies

Wealth of Nations (excerpt) – Adam Smith
Unto this Last – John Ruskin

SESSION #2  Do Markets always Work? - Market Failures & Professional Dilemmas
Using the text “The Price of Lobster Thermidor” and other cases we explore the problem of market imperfections or failures in global markets. This case is used to illustrate the problems of monopoly/monopsony, externalities, public goods, and information asymmetry. These conditions are discussed with respect to the ideas of Smith and Ruskin, as well as those of Mohandas Gandhi.

Readings: “The Price of Lobster Thermidor” from The Economist (p.365)

“Economic Theories of Regulation: Normative v Positive”
by Linda N. Edwards and Franklin R. Edwards (p.5)
(A. Economics of Market Failure)

“Making an Ethical Decision”
by Terry Halbert and Elaine Ingulli (p.15)
(B. Ethical Theories)

Mahatma Gandhi Reading

Market Failure Handout

Study Questions:
1. Why do market failures tend to bring about law or regulation to counter their effects?

2. What market failures or imperfections are present in the “Lobster Thermidor” case?

3. Based on the Halbert & Ingulli reading identify at least one market failure related to your employment situation and apply the methods of ethical reasoning to this market failure.
SESSION #3: METAETHICS - Where Do Ethics in Business and Life Come From?
We tend to think of Ethics as coming down from on high, through culture or religion or even revelation. But the roots of ethical thinking can be found in many places. Building on earlier sessions, and especially Gandhi, who sees no separation between ethics and economics, we look for the sources of ethics in philosophy, religion, the market, and the brain.

Readings:
- Phineas Gage Websites (Not handed out in class)
- Brain Morality article (Trolley Case)
- “Origins of Virtue” (Bat Case)
- Ethical Methods (Diagram handed out in class)

Study Questions:
1. How would the study of the origin of Ethics affect your understanding or application of ethics in a business environment?

2. How might the readings of Gandhi, Adam Smith and John Ruskin help you in supporting a theory of the origin of ethics? Support your conclusions.

3. Based on both the Halbert & Ingulli reading and the Edwards and Edwards readings (from session #2) and the handout “Methods in Ethics” describe how you can use this type of information to deal with ethics situations in business?


Using the texts “The Slaves of Chocolate” and “For Cruise Workers Life Is No Love Boat” we explore the issue of human rights for laborers around the world. As a subtext, we use some writings from Mohandas Gandhi (from last week). We will also consider some methods of ethical reasoning, their relevance to human rights, and the conduct of society on a global scale.

Readings:
- “For Cruise Workers, Life is No Love Boat” by Joshua Harris Prager (p.369)
- “Lives Held Cheap in Bangladesh Sweatshops” by Barry Bearak (p.375)
“Slaves of Chocolate”

U.N Report on Human development (Global Statistics)

“In Praise of Cheap Labor: Bad Jobs at Bad Wages Are Better than No Jobs at All” by Paul Krugman (p.380)

“Moral Minimums for Multinationals” by Thomas Donaldson (p.384)

**Study Questions:**
1. Would Donaldson (“Moral Minimums”) feel that any basic human rights been violated in the “Cruise Workers” case? Explain your answers.
2. Should cruise workers that service US ports enjoy the rights of other US workers? Would Krugman (“Praise of Cheap Labor”) or any of the other ethical thinkers we have studied think that this was an unethical situation?
3. Donaldson argues for the existence of 10 basic human rights. Do human rights exist? If so, what responsibilities do corporations have to see that they are respected? And how would you apply these ideas to workers on cruise ships or in the Bangladesh sweatshops?

**SESSION #5  Agency & Fiduciary Duty**

**Readings:**

“Quality Department Stores” by Lawrence Zicklin (p.103)

“You Bought, They Sold” by Mark Gimein (p.109)

“Duties of Principals and Agents” By Kenneth Clarkson, et al. (p.116)

“Moral Hazard” by Robert Pindyck and Daniel L. Rubenfeld (p.10) (A. Economics of Market Failure)

**Study Questions:**
1. Sketch out the relationships between parties described or implied in the case “Quality Department Stores.” Which of these can be called “fiduciary” relationships? Justify your answers. Given your analysis, how should the investment manager vote?

2. Considering the Gimein reading (“You Bought, They Sold”) what are appropriate limits, if any, on sales of stock by corporate insiders? Does this behavior present any moral hazards, particularly to shareholders?
SESSION #6  Loyalty and Gifts, Side Deals & Conflicts of Interest

In this session, we ask the simple question: when, if ever, is it OK to take envelopes full of cash from your vendors? And if you can’t take cash, what can you take? Or should you take anything? And how does the answer to these questions change depending upon your position within or outside of the firm?

Readings:

“Buynow Stores” by Bruce Buchanan (p.79)

“Tobacco Industry Fought Drug’s Marketing “ by Kenneth Chang (p.97)

“U.S. Warns Drug Makers on Illegal Sales Practices by Robert Pear (p.99)

“Neutral Omni-Partial Rule Making” by Ronald M. Green (p.22)
(B. Ethical Theories)

“Code ‘Is Failing’ To Prevent Rich Companies from Bribing Officials” by Alan Beattie (p.88)
Visit: www.transparency.org

Study Questions:

1. Make a list of all the gift practices described in Buynow Stores. In your judgment, which of these, if any, are inappropriate? Use ethical concepts and methods from the Green and Halbert/Ingulli readings to support your position.

2. Have tobacco and drug companies created any market failures or engaged in any conflicts of interest in their current marketing practices as presented in the Chang and Pear readings?

3. How should American executives respond when their foreign competitors are bribing officials in developing countries? Should they refrain and risk losing business? Or make the payment, perhaps through a series of intermediaries?
SESSION #7 Whistle Blowing & Loyalty

Local hierarchies create local loyalties. These can be good or they can work against the interests of the individuals or the entire firm. In these texts and subtexts, we explore when one should, or should not be, a good soldier. And ask how those at the top should act in order to reduce information asymmetry within the firm.

Readings:

“Travel & Entertainment” – case

“Ace” Greenberg – memos

“He Told. He Suffered. Now He’s a Hero.” by Kurt Eichenwald (p.159)

“How Ex-Accountant Added Up To Trouble for Humbled Xerox” by James Bandler and Mark Maremont (p.176)

“The Return of Qui Tam” by Priscilla R. Budeiri (p.183)

“States Passing Whistleblower Statutes” by Steve Seidenberg (p.174)

Study Questions:

1. Mark Jorgeson (“He Told He Suffered” - Prudential) and James Bingham (“Hoe Ex-Accountant” - Xerox) worked at major corporations where they tried to bring truthful accounting numbers to the attention of top management and investors. What personal risks did they run? And how did the outcomes of their cases differ with their approach to whistleblowing?

2. Is the Qui Tam policy a good idea? Should corporations also use it; that is, should corporations offer rewards to employees who blow the whistle on their colleagues? Use Travel and Entertainment and Ace Greenberg memos as examples.

SESSION #8 Loyalty, Industrial Espionage & Trade Secrets

Companies often claim to “own” certain information about themselves or their business. But how can an employee, who has learned this information, decide what belongs to the firm and what to him or her? In a related case, we inquire as to what you can learn about your competitors and how you may learn it.

Readings:

“Stockbroker’s Story” by Bruce Buchanan (p.191)

“Corporate Spies: The Pizza Plot” by Adam L. Penenberg and Marc Barry (p.196)
“Protecting Trade Secrets: Using ‘Inevitable Misappropriation’ and The Exit Interview” by Michael B. Carlinsky & Lara Kreiger (p.209)

Nicomachaean Ethics, Book 1 (excerpts) – Aristotle ???

**Study Questions:**

1. Are customer records, such as those described in “Stockbroker’s Story” trade secrets, or do they belong to the departing broker? What criteria can we apply in making this determination?

2. What practices in “The Pizza Plot” do you judge to be inappropriate? What are your criteria for saying so?

**SESSION #9 Standards of Truth and Disclosure**

We all have our own personal standards of truth and disclosure. Should or do these standards change in a professional context?

**Readings:**

“Bitter Pill” by Ralph T. King, Jr. (p.47)

“Familiar Refrain: Consultant’s Advice on Diversity was Anything but Diverse” by Douglas A. Blackmon (p.53)

“Today’s Analyst Often Wears Two Hats” by Roger Lowenstein (p.59)

“Is Business Bluffing Ethical?” by Albert Z. Carr (p.66)

Fiduciary Duties Handout

**Study Questions**

1. Would Albert Carr voice any objections to the (i) corporate actions of Boots described in “Bitter Pill” and (ii) Towers Perrin in the “Familiar Refrain” case? Do you agree with Carr? Can you identify any market failures in “Bitter Pill” and “Familiar Refrain”?

2. Is there anything ethically wrong about the actions of Towers Perrin, as described in “Familiar Refrain”? What would happen if all or most consulting companies behaved in similar ways?
SESSION #10  Leadership and the Law

Corporations and professionals face new risks through the implementation of the Federal Sentencing Guidelines. Here we explain the basic working of these guidelines, and examine their implications for “Leadership” in corporate life.

Readings:

“The Living with the Organizational Sentencing Guidelines” by Jeffrey Kaplan, Linda S. Dakin, Melinda R. Smolin (p.328)

“When the Company Becomes a Cop” by Linda Himelstein (p.307)

“Pollution Case Highlights Trend to Let Employees Take the Rap” by Dean Starkman (p.309)

“Corporate Crime: Government Seeks Tougher Sentences” by Sue Reisinger (p.316)

Study Questions:

1. How do you think the U.S. Sentencing Guidelines will change corporate behavior? Consider this from the perspective of the corporation in the Himelstein (“Company Becomes Cop”) and Starkman (“Pollution Case”) readings.

2. What are the implications of the Corporate Sentencing Guidelines for the individual employee? Consider the situation of the Darling employees (“Pollution Case”) and other cases. Also use your own intended career path as a basis for judgment and be as specific as you can.

SESSION #11-12. Leadership and Personal Identity

Part of this course’s mission is to have our senior students encounter some “real voices” from the business world. We will have two –three classes for speakers.
SESSION #13 Leadership and Social Responsibility to Stakeholders

Readings:

“Toy Maker Faces Dilemma as Water Gun Spurs Violence” by Joseph Pereira (p.341)

“Bally’s Grand Casino, For Elaine Cohen, Is Her One True Home” by Heidi Evans (p.343)

“The Right Thing: When Good Ethics Aren’t Good Business” by Jeffrey Seglin (p.350)

“The Social Responsibility of Business is to Increase Its Profits” by Milton Friedman (p.358)

“Restricted Reasons and Permissible Violation” by Arthur Isak Applbaum (p.19)

Study Questions

1. What advice would Milton Friedman give to the CEO of Larami Corp., manufacturer of the Super Soaker? Would you agree with him? Use ethical methods and concepts to support your position.

2. If you were the manager of Bally’s Grand Casino, would you do anything differently with respect to Elaine Cohen? Use ethical methods and concepts to support your position.

3. Did the CEO of Smith & Wesson fulfill his fiduciary duties? Justify your position. How would Arthur Applbaum (“Restricted Reasons and Permissible Violation”) judge his behavior?

SESSION #14 Leadership - Management versus Shareholders – PART I

Readings:

“Manager’s Journal: Corporate Boards: A Director’s Cut” by Stanley Gold (p.227)

“Sarbanes-Oxley: Danger for Directors” by Porcher L. Taylor III (p.234)

“How to Fix a Broken System: A Rush of New Plans Promise to Make Corporate Boards More Accountable: Will They Work?” by Carol Hymowitz (p.243)
“Our Schizophrenic Conception of the Business Corporation” by William T. Allen (p.255)

“Crisis of Corporate Ethics” by Roy C. Smith (p.268)

Study Questions:
1. According to William Allen which conception of the business corporation currently dominates the crisis in corporate governance and why?

2. Which market failures does the Sarbanes-Oxley Act address? What would be Smith’s (“Crisis of Corporate Ethics”) response to the Sarbanes-Oxley Act as a remedy for recent failures in corporate governance?

SESSION #14. Leadership and Ethics: Words and Deeds - PART II

Benjamin Disraeli once said, “With words we govern men.” If so, then we have to choose our words carefully, and our governance should aim for good.

Here we have a final, integrative discussion, between instructor and students, on the course, its lessons, limitations, and its implications for professional life beyond Stern. The instructor may or perhaps should bring in or refer to current news stories that reflect the ideas of the course.

Text: Rhetoric (excerpts) - Aristotle