

Kelley School of Business

Kelley Direct: White Collar Crime and Corporate Ethics

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Required Materials

- Understanding White Collar Crime, 4th Ed. (Strader)
- Why They Do It (Soltes)
- Supplemental Materials (provided)

This course will introduce you to white collar criminal law, corporate compliance, and individual and organizational business ethics. The aim of the course is to provide you with a basic knowledge of the theoretical and practical underpinnings of business ethics and criminal law as it applies to individuals and organizations operating in the corporate realm. Readings and class discussions will focus on exploring the following key questions: what is white collar crime; why do business people commit unethical and criminal acts; how are individuals and organizations investigated, prosecuted, and sentenced for white collar crimes, and how should they be; what are the elements of mainstay white collar crimes; and how are white collar, corporate crime, and corporate rules violations appropriately deterred. Answering these questions should provide you a deeper understanding of why “good people do bad things” and what is (and what should be) our collective societal response, issues fundamental to navigating today’s complex business world.

Expectations

Classroom approach. *This is a graduate-level, discussion-based, seminar class.* That means we will “discuss” in an online format many of the legal, ethical, and business scenarios we encounter in the readings and other materials, doing our best to navigate the governing principles and then apply them to real-world cases. The best way to understand these issues is to engage with them through an active and informed environment. In some instances, this will be accomplished through Live Sessions. We will also make significant use of Discussion Board forums. For the class to be successful, you must have done the readings prior to class and be

prepared to hold a discussion with me and your classmates. The aim of class participation is not to impress me with your knowledge of the material—your level of knowledge will be apparent during the discussion. *The aim is for each student to contribute to the learning of the entire class.* When evaluating your level of participation, ask whether your comments in class accomplished this important goal.

Attendance and participation expectations. Recognizing that KD students balance many demands, you are not required to attend Live Sessions. Each Live Session will be recorded. However, there will be frequent quizzes on material throughout the course and Live Sessions serve an important purpose of clarifying material that might be otherwise confusing. Thus, while one could successfully complete a quiz, it will be to your advantage to attend Live Sessions or watch the recording of the session. Doing so will also help your preparation for other assignments, such as your research paper.

Class Schedule:

Week of November 20	Introduction to Business Ethics Watch; Opening Video, including “Virtue Election” Watch at least five of the Ethics Unwrapped Videos Posted on Announcement and on Discussion Board Discussion Board
Week of November 27	Legal Compliance & Shareholder Theory Watch video on Shareholder Theory posted to Canvas Discussion Board
December 1	Reflection Paper Due
Week of December 4	Introduction to Criminal Law Strader Section 1.01-1.06; 2.08 Live Session
Week of December 11	Why They Do It Soltes pp. 1-9; 53-63; 81-106; 110-114 Supplementary (“Rationalizations” by Haugh) Discussion Board

Week of December 18	<p>Corporate Criminal Liability & Initial White Collar Crimes</p> <p>Strader sections 2.01-2.03; 2.05-2.06; 9.01-9.07; 9.09 Supplement (US v Hilton); Soltes: pp 33-38</p> <p>Live Session</p>
December 23-31	<p>Case Briefs (<i>Pillars v Reynolds</i> & <i>United States v Parks</i>) Due. Officially these are due on the 23rd, but you can have an extra week if that is easier for your time management.</p>
Week of January 1	<p>White Collar Crimes: Insider Trading; Mail/Wire Fraud; Ponzi</p> <p>Strader Sections 4.01-4.06; 5.01-5.04, 5.06-5.07, 5.09 Soltes, pp 211-308</p> <p>Live Session</p>
Week of January 8	<p>Regulatory Violations & Cover Up Offenses</p> <p>Strader, Sections 8.01, 8.02, 8.05, 8.06; 11.01-11.03(a), 11.04-11.06, 11.08, 12.01, 13.01-13.02</p> <p>Supplement: Volkswagon Plea Agreement Soltes: pp 121-126</p> <p>Discussion Board</p> <p>Black Letter Brief Due</p>
Week of January 15	<p>Deterring White Collar Crime and Corporate Compliance</p> <p>Strader; Sections 2.05(b), 18.01-18.04 Soltes: pp 131-148 Supplement: Criminalization of Compliance; DOJ's evaluation of Corporate Compliance Programs</p> <p>Live Session</p> <p>Black Letter Brief Due</p>

Week of January 22	<p>Punishment of White Collar Crime</p> <p>Strader, Sections 22.01-22.04(B)(1), 22.05(B), p 453; 22.06 Supplement: Reflections on the Sentencing of Milken; Judge explains 150 year sentencing for Madoff;</p> <p>Discussion Board</p> <p>Black Letter Brief Due</p>
Week of January 29	<p>Stakeholder Theory and Corporate Constituency Statutes Supplementary Materials Provided</p> <p>Live Session</p>
Week of February 5	<p>Organizational Ethics & Culture: Supplementary Materials Provided</p> <p>Discussion Board</p>
February 10	Research Paper Due
Week of February 12	<p>Class Wind-up (I may have you watch a film prior to this class)</p> <p>Live Session</p>

Assignments

- (1) Reflection Paper: See Description on following page (10%). Due December 1
- (2) Case Brief: *Pillars v Reynolds*. Separate video and instructions to be posted (5%) Due December 23-31
- (3) Case Brief: *United States v Parks*. Separate video and instructions to be posted (5%) Due December 23-31
- (4) Black Letter Law Briefs. Separate instructions to be posted (15%) Due January as noted over three weeks in January
- (5) Research Paper. See Description on following page (50%) Due February 10
- (6) Participation. Includes Discussion board and Live Session (20%) Due Throughout Class

ASSIGNMENT FOR PAPER #1

Tell me about an action that someone you personally know did that you thought was ethical and then tell me why it was ethical. To complete the assignment, you must address two parts:

1) What happened? You need not describe the event in substantial detail. At the same time, you also need to include enough information so I can understand the nature of the action. Usually, this part will not exceed one-half of one single-spaced page, although it may extend further if necessary.

2) Why do you think the event or action was ethical? That begs three questions:

- a) What is your definition of good? You should not simply assume that everyone agrees with your idea of the good. So your idea can be evaluated, you must define your notion of the good and articulate it to another person (me). Feel free to draw upon your own experiences, religion or study of philosophy in defining the good.
- b) What is a strong objection to your vision of the good? Why would someone reject your theory. Do not set up a “straw man” here. Really think of a strong objection to your idea of the good. *Moreover be very careful to analyze the good you are defending and not the goodness of the particular action. They are different things.*
- c) Why is your theory still compelling?

The paper need not be more than two, single-spaced pages, although, if necessary, it can be longer. It is due via e-mail by midnight on December 1st. You may submit this assignment via Canvas.

One of the purposes of this paper is to show you that there are a great number of ethical things occurring in life, including business, so that a person interested in being ethical is “not alone.” Occasionally, I have had students who indicate never having seen an ethical act in business. If you have that reaction, I encourage you to think through the matter again because I think you will be able to come up with something. If you simply cannot, let me know and we will talk. Another purpose of the paper is to really try to identify what the good is. That’s rarely done by most people and it is difficult for any constructive discussion of business ethics to occur without this.

Your papers are confidential. I do not share your stories without your permission and I do not make copies. If your topic is sensitive, however, feel free to disguise the identity of parties involved.

As an example, let me tell you the story I presented during my freshman year of college when I received a variation of the assignment. *Please note that when I was assigned this paper, it was not for a business ethics class. Instead it was for a theological ethics class. Thus, while there is a business reference point, it is not an exact example of a story about a business situation. You will need to adapt from my example to tell your story within the context of business. If you do not have a business experience to draw upon, you may write about another example that demonstrates an action that occurred outside of your family (though the main character can be a member of your family).*

My father was an attorney in a very small town (population 800) in western Illinois from 1949 until his death in 1998. When I was in high school, his secretary looked out onto the street on a bitterly cold (wind-chill more than forty degrees below zero) at the end of the workday to see a late, middle-aged man wandering the streets without a coat. The man's parents, with whom he lived, had very recently passed away and he was now living alone. The man had done very little business with my father's law firm. Dad's secretary brought him over to the office and my father, after calling my mother, brought him out to the house for dinner.

The man was simply very depressed and frightened. He stayed overnight with us, never even looking at my mother or me. He was afraid to return to his house because he thought that someone had moved in and would kill him if he went back.

The next day, my father took him out to the house with an unloaded (unknown to our guest) pistol. Together they searched every room of the house and its outlying buildings (the house was located on a farm). Finally, convinced that it was safe, the man agreed to stay at the house.

My father knew that the man had no one to talk to, so he decided to make sure the man knew that someone was interested in him. Therefore, he called the man each morning to make sure he was OK and to chat. That went on for five years. Gradually, the man reintegrated himself into the community and had a quite happy life.

This story is only an example. Of course, this is just the "story part." In fact, when I received the assignment back, the professor had scrawled "what the hell is so good about that!" across the bottom of the last page of my paper. You should anticipate the same question. In addition to telling the story, tell me what is good about your story.

Let me be clear as to how you will be evaluated. I will not "pass judgment" on whether your values are "good." I do expect you to provide me with a principle which justifies the good manifested by your story and then to provide a reasoned, logical justification of that principle in the face of logical, important objections that can be raised against that principle. Thus, in my story, the principle might be "one should act to protect the vulnerable in society provided that in doing so, one does not make others similarly vulnerable" and make objections to and defenses of that principle. The argument would not be that my father helped someone in trouble and people could object to whether or not he should have helped him. A principle is the reason you know an action is good, so it is a concept that can be applied in other similar cases.

RESEARCH PAPER

You should work in groups of up to three for the research paper. You may also work on this individually. While I maintain the same standards for content no matter the size of your group, you should know that, if you choose to work in a group, especially a group of three, I expect your paper to be grammatically perfect and written exceptionally well. I will grade on that criterion as well as content.

You should identify a complex moral problem in business today *that you believe was appropriately handled or a dilemma, whether handled well or not, that a company is currently facing or a dilemma that was not handled well*. In other words, you have a longer time frame from which to select if you are writing about a case that you believe was appropriately handled. You can go back 25 years for such a case. *This means that you cannot write about the 1982 Tylenol recall!*

The goal is to conduct enough factual research so you fully understand the issue. Then apply the moral reasoning process we used in class so that you can describe what was good about the decision in normative terms. You will use the seven-step Hosmer moral reasoning process and apply three ethical frameworks: shareholder, stakeholder, and virtue *with extra emphasis on the shareholder/legal compliance portion given the coverage of white collar crime in the class*. You will also apply the pro-active part of shareholder, stakeholder and virtue (Hard Trust, Real Trust, and Good Trust) to propose how to build ethical cultures. Thus, you will apply the Total Integrity Management model to address how a company can create an ethical corporate culture with a specific eye toward how they would take the decision you advocate and make it one that is habitually made.

Please bear in mind that good papers directly address, in full, the above paragraph. Great papers do this and also bring in examples from class (discussions), readings from the book **not covered in class**, and lectures to render a fuller assessment of the research paper; in other words, to put the class fully together.

I do not want to assign a specific length, but eight to twelve single-spaced pages is a rough average for previously well-written papers. Of course, the ability to write concisely is a major factor in determining whether eight pages are sufficient. Your paper is due on February 10th.

The aim of the participation grade *is not* for you to show me what you know. What I am interested in is your helping others in the class to learn. Particularly with my being a generation (or two?) beyond yours, the insights you have may very well resonate more with your classmates than my explanations. Students frequently have a higher evaluation of the quality of their participation than the grade assigned. The reason for the difference typically relates to whether student comments helpful in moving the class discussion forward or not.

With respect to grades, my traditional lowest A has been a 94. The Canvas default is that the lowest A is a 93 and that gets reflected in the grades you will see on Canvas. My compromise

is that I will go down to a 93 for an A, but I will not round up from a high grade in the 92 range. In other words, I do not round up from a 92.9 to a 93.0 for an A since I am already dropping my traditional A by one full point. I do not give an A+, though the Canvas site might show that grade.

In borderline situations, I retain the discretion to make an overall assessment of your performance in the class.

Appendix A:

Important Policies and Notices Applicable to the Class

- (1) **Academic Integrity:** This class will follow IU and Kelley School policies concerning academic integrity. As a business ethics professor for decades, I can tell you that the issues of academic integrity parallel that arise in business life after you graduate. Cheat now and you'll probably cheat later. Do your own work honestly now and you will likely continue doing so later. Practicing integrity is a habit. Plan on getting into that habit now. By all means, do not use a course with a significant ethics coverage to mess up. A violation of the IU and Kelley codes of conduct will result, at a minimum, of a failure for that assignment. I can only recall something of this nature happening twice and the punishment was much worse. Being ethical now and in life is an act of courage. Cheating happens because people are tired, lazy, greedy, or sloppy and want to get by on less than a full effort. It's exactly at such times when people of courage push through the temptations of fatigue, laziness, greediness and sloppiness to excel. It's true with athletics. It's true of music. It's true of business or anything else. Take the opportunity in this course to make moral courage a habit – a skill that you hone – that you know is there when a temptation arises.
- (2) **Special Note on Plagiarism:** Plagiarism is a particularly common – but very serious – form of academic misconduct. Any work with your name on it signifies that the ideas and the text are your own. If you quote an author or use ideas from another source, you must properly cite your source to indicate the origin of your ideas. Failure to do so is considered plagiarism. Depending on the severity of the case, plagiarized work will be assessed a penalty, usually ranging from a lowered grade on the assignment to failure of the course.
- (3) **Appeals of exams and other graded work** must be submitted in writing within one week of the date on which the graded work is returned to you. You may do this by email, phone, or in person. In any appeals, I do not require explanations for why you misread or otherwise did not understand the question, but instead only why the question/answer is wrong as a substantive matter. I expect that most appeals will be unsuccessful on these criteria.

- (4) Learning Outcomes: The learning outcomes for this course, listed below, relate to the learning goals of the Kelley Direct MBA Program, which can be found in the appendix at the end of this syllabus. The number in parenthesis indicates to which specific learning outcomes the outcome relates. Upon successful completion of the course, students will be able to:
- Understand the processes and mechanisms by which laws are made, changed, interpreted, and applied—and how legal disputes get resolved—in the United States but put in a global context; (2)
 - Identify significant legal concepts of interest and importance to businesses and businesspersons; (5)
 - Improve your strategic ability to recognize and avoid legal risks in business settings; (5)
 - Increase your awareness and sensitivity to the legal and ethical implications of business decisions; (5)
 - Strengthen your critical thinking, logical reasoning, and analytical problem solving skills; (5)
 - Further develop the confidence necessary to protect your interests and be a more robust contributor to the marketplace, our civil society, and the common good. (3)

(5) Students with Disabilities

Any student with a disability requiring reasonable accommodation should inform me by email within the first two weeks of class so that we can make the necessary accommodation(s).

(6) Religious Holidays

Any student who has a religious conflict with an assignment or is otherwise unable to participate in the class for religious reasons should inform me by email within the first two weeks of class so that we can make alternative arrangements.

APPENDIX B:

KELLEY DIRECT MBA PROGRAM LEARNING GOALS

Goal 1: Internal Structures and Operations

Demonstrate a thorough understanding of the internal structures and operations of businesses ranging in size from small to multinational.

Goal 2: External Environments

Demonstrate a thorough understanding of how the interplay between business and various external forces, both domestic and international (e.g., regulatory, competitive, environmental and non-governmental interest groups) shape management decisions, strategies and outcomes.

Goal 3: Integration of Tools and Techniques of Business

Integrate and apply the tools and techniques of business, drawing on a broad-based knowledge of the major functions (accounting, economics, finance, information systems, marketing, operations management, and strategy) to solve complex business problems and make sound business decisions in both the domestic and the global arenas.

Goal 4: Professional Skills

Utilize various human relation skills effectively, both within and across cultures, including 1. leadership; 2. oral and written communication; 3. teamwork and collaboration; and 5. reflective self assessment.

Goal 5: Legal and Ethical Considerations

Recognize legal and ethical problems that arise in the domestic and international environment and choose and defend solutions to those problems.

Goal 6: Internationalization

Recognize and reconcile cultural differences when solving complex business problems.