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## ***Legal Studies and the Changing Business Environment***

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### **Abstract**

Anecdotal evidence suggests business students find the study of law difficult, and that they do not understand the relevance of it to their business degrees. Law teachers' response has been to question the curriculum design and methods of delivery in law teaching to non-vocational students. As there is little scientifically robust research into students' perceptions of the place of law in business degrees the authors suggest that we need a clearer definition of why, and to what extent, students perceive legal studies as difficult and irrelevant before law teachers embark on a search for the holy grail of the perfect law teaching method for non-vocational legal studies. As a start to this journey the authors designed this study to survey all of the students in both the undergraduate diploma course and two degree courses in law offered within the departments of Accountancy and Finance and Management and Marketing at Unitec New Zealand. Administered after the first two weeks of the semester, the survey collected both demographic data and data on the students' perceptions of law studies. This paper reviews the results from the initial data set which suggests that our multinational sample of students has, as a group, a moderately positive perception of the relevance of law in business degrees but some reservations about their having the skill set to use that legal knowledge in a constructive manner in business. The paper suggests legal studies curriculum developers should consider how they can improve student competencies to ensure graduate gain "legal astutenes" for global economies.

### **Introduction**

In September 2008 Jonathon Barrett from the Open Polytechnic presented his awarded winning paper at the New Zealand Applied Business Education conference in Auckland, New Zealand. In his paper, Losing out: The unpopularity of legal studies among business students, Barrett suggested that legal studies were unpopular among business students because students believed

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that legal studies held little relevance to their studies in other disciplines, such as accounting, human resource management, and marketing. Barrett argued that there is a need for a paradigmatic shift in non vocational legal pedagogy to combat the unpopularity among students. To assist this shift, Barrett suggests there is a need for better design of the business curriculum to integrate legal studies with various disciplines. Barrett notes that the legal environment is critically relevant to students' lives and the challenge lies in ensuring they understand this in the business context. In his paper Barrett acknowledged the limitations of his research stating that much of the evidence of unpopularity of non-vocational legal studies is anecdotal, although plausible. He suggested, "more scientifically robust research into students' perceptions of law in the business curriculum would be beneficial". (p.12, 2008) The purpose of this research is to explore one group of students' perceptions of legal studies in business education.

### **Legal Studies in Business Education**

Barrett, has provided three reasons why law courses are not popular in business education. He believes they stem from students' inability to understand legal compliance requirements, to assess and manage risk, and to add value to a business by demonstrating legal astuteness. Business compliance requirements are generally high in Western economies. All businesses could benefit from managers and staff who demonstrate legal astuteness through using strategies and tools to add value to business outcomes.

Although New Zealand is considered to be one of the best economies for "ease of doing business", (World Bank, 2005) there are compliance requirements in many areas, for example labour relations, property law, credit control, investor protection, taxation, international trade, contract, consumer protection and intellectual property. Students who intend to pursue a career in business need to understand the environment in which the business operates, including the legal and regulatory environment with which business must comply. This requirement is both local and global.

Risk management is a key business skill. Risk in this context means "(Exposure to) the possibility of commercial loss" (Shorter Oxford Dictionary, 2007) Managers need to be able to identify a legal risk to their business and adapt their business strategy to minimise the risk. A key aspect of this activity is for the manager to be able to communicate to a legal advisor, the nature of the risk to ensure that they receive accurate and "useable" legal advice. At various points in the operation of a business, a manager will be required to assess the impact of legislative requirements on a business and develop a compliance programme to minimise legal risks for the business.

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Legal compliance programmes are a key component in managing business risk. Generally, legal compliance programmes are developed to ensure businesses "comply with" legal standards. (Osborne & Houghton, 1999) The purpose of the compliance programme is to reduce or remove the risk of not meeting legal standards. Compliance programmes seek to identify, assess and manage risks, including fines, civil damages, adverse publicity, wasted time, disruption, loss of morale, legal costs and insurance costs. (Osborne & Houghton, 1999) Students should understand the value of a compliance programme to a business and know how to participate in, if not design and establish one.

In terms of legal astuteness, managers need to recognise the importance of the law to business success, their current position and path to the future. (Bagely, 2006) Managers need to understand how to protect business assets and grow their business by using a variety of legal mechanisms to create value for the business. This is clearly demonstrated by the growth of activity in intellectual property, where businesses protect their expression of ideas and inventions from competitors, and in the process make money from exclusivity or alternatively from licensing arrangements.

Bagley (2008) has identified the following key characteristics of legal astuteness:

1. Managers know that managing the legal dimensions of business is part of their job description;
2. Managers understand the inherent ambiguities involved in applying the law to a given set of facts and exercise informed judgment when factoring legal consideration into the formulation and execution of business strategy;
3. Managers view their lawyers as partners in value creation;
4. Managers participate actively in contract negotiations and resolving business disputes; and
5. Managers take a proactive approach to regulation and look for opportunities for innovation instead of just doing the minimum to comply.

Recent trends in quality undergraduate business programmes indicate that law courses are compulsory in students' first and second years of study. At Wharton Business School (Wharton, 2008), voted the best undergraduate business programme in 2008, there are three compulsory law courses. The first of these courses canvases the law, legal process and legal systems with an emphasis on rigorous legal analysis. The second course places emphasis on thinking through problems and finding solutions to corporate and ethical problems. The third course explores business in different political and legal environments.

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Bagley (2006) explains that business education needs to ensure managers are legally astute by educating for legal skills, knowledge and attributes. Managers should be trained to exercise well informed judgment taking into account a range of business perspectives including the legal perspective. Secondly, managers need to attain legal literacy in a general sense and be able to acquire legal literacy in a specific context. To do this they will need to have a good understanding of legal language. They should know the proper application of legal tools available in all aspects of business. There are legal tools that will assist with:

1. Evaluating the opportunity and defining the value proposition
2. Assembling the team.
3. Raising capital.
4. Developing, producing and marketing a product or service.
5. Harvesting the rewards. For example sale of a venture, or a public offering of stock.

Legal studies are a key aspect of modern globalised business education. Legal studies courses give student the knowledge, skills and attributes to manage business risk. Those courses should develop legal astuteness to ensure managers can fully participate in all aspects of their business, create value and manage negotiations and disputes.

*Business leaders have to understand the rules. Then they need to step back and ask, 'Given this firm's resources and values and what we see as our basis for competitive advantage, what should we be doing here?' Legal astuteness is more than just asking what's legal and what would maximize profits today. It requires consideration of whether a particular action would be fair to our stakeholders and consistent with our values going forward.*  
Constance Bagley, 2009.

### **Aim of Research**

The purpose of this research was to investigate business students perceptions of legal studies. The investigation gathered evidence of students perceptions of their ability to manage legal risks in business, and how they perceived the value of legal skills in business. The study asked students to reflect on and evaluate their own legal and business skills.

### **Methodology**

The research involved collecting information directly from business students. The information sought by the investigation included students knowledge, attitudes, beliefs and preferences. The investigation included information regarding students age, educational background and ethnicity. The investigation gathered this information using a electronically administered

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questionnaire to allow the information to be collected from a large number of people in the same way and for data to be analysed quantitatively and systematically.

To maximise the response rate the survey was administered through the online teaching tool Blackboard®. Students were provided with a link to an online survey hosted by www.Polldaddy.com. The survey was deliberately designed to be short and easy to complete to encourage maximum participation from students. The research includes mainly closed, forced choice format questions. This type of survey allowed for easier coding, recording of data and analysis of results.

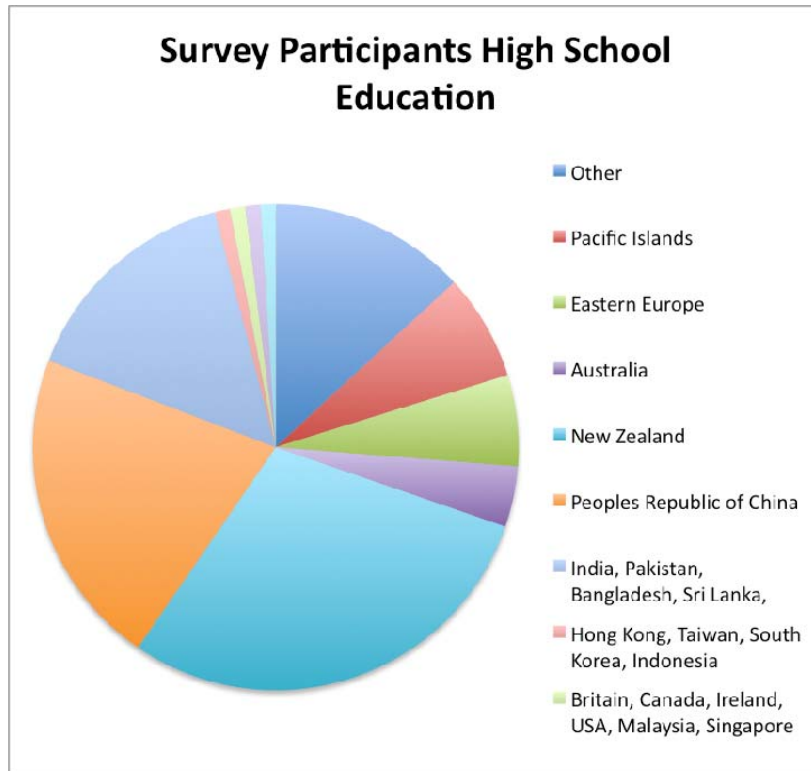
In designing the questionnaire, the questions were phrased in short sentences, with one or two clauses only. Negatively phrased questions were not used, as students are often confused by this type of question. Students were asked to examine their own abilities and their knowledge. There were some questions designed to capture students lack of knowledge and skills. There were no sensitive issues in the survey and bias was kept to a minimum by ensuring questions were neutral. The survey included one open ended question.

The questionnaire was administered to all students in the following Unitec Bachelor of Business classes: Law of Business Obligations and Law of Business Entities, papers in the first and second year, and Introduction to Commercial Law, an undergraduate New Zealand Diploma in Business course. The survey was undertaken in the first four weeks of the law courses. The majority of students surveyed had previously studied in a non-vocational law course. All students were business students with a variety of majors.

Student perceptions were analysed to ascertain the positive and negative perceptions of the participants. The focus of the analysis was to determine student perceptions of the value of legal studies and their evaluation of their own competencies.

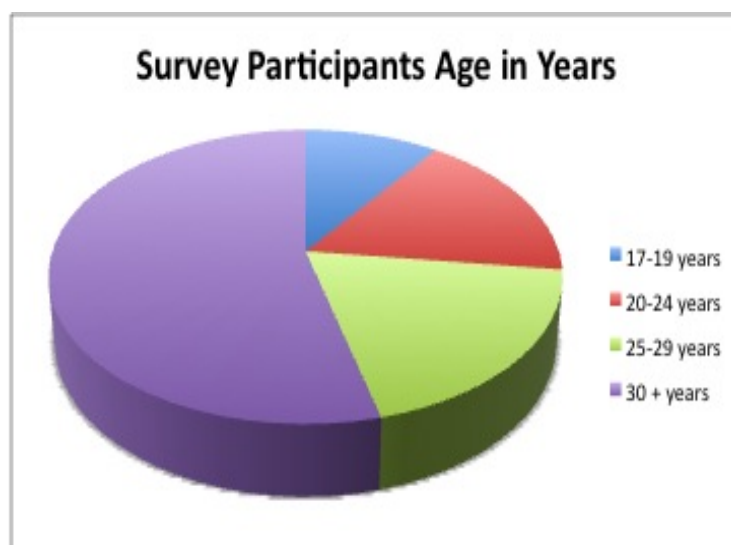
## **Results**

The data collected demonstrates that less than half the students surveyed received their high school education in New Zealand (29%). Many were educated in China (21%) or India (15%). These students have both local and global perspectives on business and business education.



**Figure 1: Survey participants high school education**

Most students are over 30 years old (54%), the second biggest group being 25-29 (19%) years old. School leavers account for just 10% of those surveyed. The majority of students who completed the survey have experience in employment and business. There were far more women (67%) participants than men.



**Figure 2: Survey participants age in years**

Students survey are from a variety of ethnic backgrounds. Students stated they identified with the following ethnic groups: African, Asian, Black African, Caucasian, Chinese, English, European, Eurasian, Fiji-Indian, Filipino, Indian, Kiwi, Maori, Maori/Pakeha, Nepalese, New Zealand Maori, Pacific Islands, Pakeha, Pakistani, Samoan, South African, Tongan, Turkish, Western/Asian. Clearly, business education needs to provide a transferable set of skills and knowledge base for global economies.

### Student perceptions of the study of law

Participants responded positively to questions regarding the knowledge content of legal studies. 95.7% of participants believed that the study of law is valuable in business education. 44.4% strongly agreed with the statement. 83.4% of participants believed that the study of ethics should be an integral part of legal studies. 93% of those surveyed agreed that legal skills enhance a business. 37.5% strongly agreed with this statement. 73.7% of participants believe that studying law will help them solve complex problems analytically. 77.8% of those surveyed believed that the study of law will equip them to solve complex problems in other disciplines.

	Strongly disagree	Disagree	Mildly disagree	Neutral	Mildly agree	Agree	Strongly agree
I believe the study of law is valuable in business education.	0%	0%	1.4%	2.8%	19.4%	31.9%	44.4%
I believe the study of ethics should be an integral part of legal studies.	0%	5.6%	2.8%	8.3%	15.3%	40.3%	27.8%
I think legal skills enhance a business.	0%	1.4%	2.8%	2.8%	19.4%	36.1%	37.5%
I believe the study of law will assist me to solve complex problems analytically.	0%	11.1%	8.3%	6.9%	15.3%	30.6%	27.8%
I believe the study of law will assist me to solve complex problems in other disciplines.	2.8%	0%	5.6%	13.6%	25%	34.7%	18.1%

**Figure 3: Survey participants perceptions of the study of law in business education**

### Student Perceptions of their competencies in managing legal risk

Participants were less positive about their own skills and abilities. 65% of participants believed they know how to manage risks in a business context. 55.6% considered they know how to adjust a business strategy to minimise legal risks. 56.9% participants believed they know how to protect business assets from legal risk. However, only 48.7% believed they can clearly

communicate a complex legal problem to a legal practitioner. 55.6% believed they know how to use legal tools and strategies to improve business profitability.

	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Mildly disagree</b>	<b>Neutral</b>	<b>Mildly agree</b>	<b>Agree</b>	<b>Strongly agree</b>
I believe I can identify legal risks for a business.	5.6%	5.6%	6.9%	9.7%	33.3%	33.3%	5.6%
I know how to manage risks in a business context.	6.9%	4.2%	6.9%	16.7%	30.6%	29.2%	5.6%
I know how to adjust business strategies to minimise legal risks.	4.2%	5.6%	12.5%	22.2%	33.3%	18.1%	4.2%
I know how to protect business assets from legal risk.	5.6%	5.6%	13.9%	18.1%	9.2%	20.8%	6.9%
I can clearly communicate a complete legal problem to a legal practitioner.	8.3%	12.5%	8.3%	22.2%	26.4%	18.1%	4.2%
I know how to use legal tools and strategies to improve business profitability.	5.6%	9.7%	13.9%	15.3%	26.4%	23.6%	5.6%

**Figure 4: Survey participants perceptions of their own skills and abilities**

### **Discussion**

In contrast to Barrett's conclusions, this survey reveals that students value the inclusion of law courses in a business degree. They identify law courses as being essential to increasing their knowledge and skills base for business. They believe that legal studies will assist them to solve complex problems in a variety of contexts. Students identify that the study of law and ethics are related and believe there is value in including both in a business degree. It is interesting to note that students identify that business is complex. They believe training in analytical problem solving is useful to their study and business careers.

A possible explanation for the difference in anecdotal reports of students' perceptions of legal studies and those of the group in this study is related to the student demographic. The anecdotal reports do not include information about the age of the students reporting these views, but it is reasonable to assume that many of them are much younger and less experienced than the group which has been surveyed in this study. The majority of the students in this study were over 25 years old - 54% were 30+ years and 19% 24 - 29 years old. These students have considerable life and work experience which may have positively influenced their beliefs about the relevance of law to business.



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Another possible influencing factor is that 82% of the students who responded to the survey had completed at least one law paper and were studying for a further law paper. Taking the first paper would have exposed the students to a range of learning skills. The acquisition of those skills may have resulted in a change in the students' perceptions of the relevance of legal skills to business. Further analysis of the data will reveal whether the reported perceptions about legal studies of the small group of students who are studying law for the first time more closely resemble those reported anecdotally.

Students are less certain of their own abilities to utilise the knowledge and skills acquired in the workplace. In traditional legal studies courses the strong focus on content may have been at the expense of student competencies. While students believe they can identify legal risk, they are less certain that they can manage risk, and adjust business strategy to minimise risk. Students are not confident they know how to protect business assets and less confident in their abilities to communicate a complex legal problem to a legal practitioner. These are areas for curriculum developers to integrate into legal studies courses.

### **Limitations and areas for further research**

This study includes information from approximately half of the non-vocational law students from one educational institution only. The results cannot be generalised to all non-vocational law students in that institution, in New Zealand or elsewhere as the learning experience of the students will almost certainly have influenced their responses and not all students polled responded.

### **Conclusion**

From the results of this survey it is reasonable to suggest that the law courses offered in the Department of Accountancy & Finance at Unitec New Zealand are demonstrating to students the relevance of legal studies to business but fall short in ensuring that the students have all the necessary competencies to utilise the knowledge, insight and skills which they have gained in the workplace.

### **Implications**

Developers of legal studies curriculum should consider how they can improve student competencies in legal risk management. Curricula need to focus on the student and their ability to identify, assess and manage legal risk. They need to know what legal tools are available to protect the assets of the business and how to strategise to increase business profitability. Students should be confident at communicating a legal problem orally and in writing. Legal studies curriculum needs to take into account the globalised nature of business, and ensure students are able to access information and resources in a variety of business environments.

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However, the most urgent need for change in legal studies is to ensure students are competent in risk management, creation of value and communication of legal issues. This will ensure students value their legal studies and develop as legally astute managers and professionals.

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