Ethics in Information Technology, Second Edition

Chapter 1
An Overview of Ethics

Objectives

• What is ethics, and why is it important to act according to a code of principles?
• Why is business ethics becoming increasingly important?
• What are corporations doing to improve business ethics?
• Why are corporations interested in fostering good business ethics?

Objectives (continued)

• What approach can you take to ensure ethical decision making?
• What trends have increased the risk of using information technology unethically?

What is Ethics?

• Moral code
  – Set of rules
  – Establishes boundaries of generally accepted behavior
  – Different rules often have contradictions
• Morality
  – Social conventions about right and wrong
  – Widely shared
What is Ethics? (continued)

• Morality may vary by:
  – Age
  – Cultural group
  – Ethnic background
  – Religion
  – Gender

Definition of Ethics

• Ethics is a set of beliefs about right and wrong behavior
• Ethical behavior conforms to generally accepted social norms
• Virtues
  – Habits that incline people to do what is acceptable
• Vices
  – Habits of unacceptable behavior
• Value system
  – Scheme of moral values

The Importance of Integrity

• Integrity is a cornerstone of ethical behavior
• People with integrity
  – Act in accordance with a personal code of principles
  – Extend to all people the same respect and consideration that you desire
  – Apply the same moral standards in all situations

Ethics in the Business World

• Risk is the product of multiplying the likelihood of an event by the impact of its occurrence
• Risks associated with inappropriate behavior have increased due to
  – Globalization
  – Heightened vigilance by
    • Employees
    • Shareholders
    • Regulatory agencies
Ethics in the Business World (continued)

- Recent scandals in IT companies
  - WorldCom
  - Qwest Communications International Inc.
  - Adelphia Communications Corp.
  - Computer Associates (CA)

Legal Overview: The Sarbanes-Oxley Act

- Enacted in response to public outrage over several major accounting scandals
- Section 404 requires that the CEO and CFO sign any SEC filing to attest to its accuracy
- Public Company Accounting Oversight Board (PCAOB) provides oversight for auditors of public companies
- IT organizations must build controls that ensure information stands up to audit scrutiny

Why Fostering Good Business Ethics Is Important

- To gain the goodwill of the community
- To create an organization that operates consistently
- To produce good business
- To protect the organization and its employees from legal action
- To avoid unfavorable publicity

Gaining the Goodwill of the Community

- Basic responsibilities to society
  - Declared in formal statement of company's principles or beliefs
  - Include:
    - Making contributions to charitable organizations and nonprofit institutions
    - Providing benefits for employees in excess of legal requirements
    - Choosing economic opportunities that might be more socially desirable than profitable
Gaining the Goodwill of the Community (continued)

• Goodwill that socially responsible activities create can make it easier for corporations to conduct business

Creating an Organization That Operates Consistently

• Many business values include:
  – Operating with honesty and integrity, staying true to corporate principles
  – Operating according to standards of ethical conduct, in words and action
  – Treating colleagues, customers, and consumers with respect
  – Striving to be the best at what matters most to the company
  – Accepting personal responsibility for actions
  – Valuing diversity
  – Making decisions based on facts and principles

Good Ethics Can Mean Good Business

• Produce safe and effective products
  – Avoid costly recalls and lawsuits
• Provide excellent service
  – Maintain customers
• Develop and maintain strong employee relations
  – Suffer less turnover
  – Enjoy better employee morale

Good Ethics Can Mean Good Business (continued)

• Suppliers and other business partners prefer companies that operate in a fair and ethical manner
• Bad ethics can lead to bad business results
Protecting the Corporation and Its Employees from Legal Actions

• U.S. Justice Department sentencing guidelines suggest more lenient treatment for convicted executives if their companies had ethics programs.
• Fines for criminal violations can be lowered by up to 80 percent if the organization has implemented an ethics management program and cooperates with authorities.

Avoiding Unfavorable Publicity

• Public reputation of company strongly influences:
  – Value of its stock
  – How consumers regard products and services
  – Degree of oversight received from government agencies
  – Amount of support and cooperation received from business partners

Improving Corporate Ethics

• Risks of unethical behavior are increasing.
• Improvement of business ethics is becoming more important.

Appointing a Corporate Ethics Officer

• Corporate ethics definition includes:
  – Ethical conduct
  – Legal compliance
  – Corporate social responsibility
• Corporate ethics officer:
  – Is a senior-level manager
  – Provides vision and direction in the area of business conduct
  – Tries to establish an environment that encourages ethical decision making.
Appointing a Corporate Ethics Officer
(continued)

• Responsibilities include:
  – Complete oversight of the ethics function
  – Collecting and analyzing data
  – Developing and interpreting ethics policy
  – Developing and administering ethics education and training
  – Overseeing ethics investigations

Ethical Standards Set by Board of Directors

• Board responsible for supervising management team
• Directors of company are expected to
  – Conduct themselves according to the highest standards of personal and professional integrity
  – Set standard for company-wide ethical conduct
  – Ensure compliance with laws and regulations

Establishing a Corporate Code of Ethics

• Code of ethics:
  – Highlights an organization’s key ethical issues
  – Identifies overarching values and principles important to an organization
  – Focuses employees on areas of ethical risk
  – Cannot gain company-wide acceptance unless
    • Developed with employee participation
    • Fully endorsed by organization’s leadership
  – Must continually be applied to company’s decision making


**FIGURE 1-2** Corporate satisfaction with their codes of ethics
Conducting Social Audits

• Social audit
  – Identifies ethical lapses committed in the past
  – Sets directives for avoiding similar missteps in the future

Requiring Employees to Take Ethics Training

• Comprehensive ethics education program encourages employees to act responsibly and ethically
  – Often presented in small workshop formats
• Principle-based decision making is based on principles in corporate code of ethics

Including Ethical Criteria in Employee Appraisals

• Some companies base a portion of employee performance evaluations on:
  – Treating others fairly and with respect
  – Operating effectively in a multicultural environment
  – Accepting personal accountability
  – Continually developing themselves and others
  – Operating openly and honestly with suppliers, customers, and other employees

When Good Ethics Result in Short-Term Losses

• Operating ethically does not always guarantee business success
• Organizations that operate outside the United States
  – Deal with a “business as usual” climate
  – Are placed at a significant competitive disadvantage
• Hope good ethics will prove to be good business in the long term
Creating an Ethical Work Environment

- Good employees sometimes make bad ethical choices
- May be encouraged to do “whatever it takes” to get the job done
- Employees must have a knowledgeable and potent resource available to discuss perceived unethical practices

How Management Can Affect Employees’ Ethical Behaviour

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<thead>
<tr>
<th>TABLE 1-1: How management can affect employees’ ethical behavior (continued)</th>
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<tbody>
<tr>
<td>Managerial behavior that can encourage unethical behavior</td>
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<tr>
<td>Set and hold people accountable for meeting “stretch” goals, quotas, and budgets</td>
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<tr>
<td>Fail to provide a corporate code of ethics and operating principles to guide decision making</td>
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<tr>
<td>Fail to act in an ethical manner and set a poor example for others to follow</td>
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Manager’s Checklist

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<th>TABLE 1-2: Manager’s checklist for establishing an ethical work environment</th>
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<tr>
<td>Questions</td>
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<tr>
<td>Does your company have a corporate code of ethics?</td>
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<td>Was the corporate code of ethics developed with broad input from employees at all levels within the organization, and does it have their support?</td>
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<tr>
<td>Is the corporate code of ethics concise and easy to understand, and does it identify the values you need to operate consistently and meet the needs of your stakeholders?</td>
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<tr>
<td>Do all employees have easy access to a copy of the corporate code of conduct, and have they all signed a document stating that they have read and understood it?</td>
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<tr>
<td>Do employees participate in annual training to reinforce the values and principles that make up the corporate code of ethics?</td>
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<tr>
<td>Do you set an example by communicating the corporate code of ethics and actively using it in your decision making?</td>
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<tr>
<td>Do you evaluate and provide feedback to employees on how they operate with respect to the values and principles set in your corporate code of ethics?</td>
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<tr>
<td>Do you seek feedback from your employees to ensure that their work environment does not create conflicts with the corporate code of ethics?</td>
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<tr>
<td>Do employees believe that you are fair, and do they seek your advice when they see coworkers violating the company’s code of ethics?</td>
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<tr>
<td>Do employees have an avenue, such as an anonymous hotline, for reporting infractions of the code of ethics?</td>
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<tr>
<td>Are employees aware of sanctions for breaching the code of ethics?</td>
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Ethical Decision Making

• Get the facts
• Identify stakeholders and their positions
• Consider the consequences of a decision
• Weigh various guidelines and principles
• Develop and evaluate options
• Review a decision
• Evaluate the results of a decision

Philosophical Theories for Ethical Decision Making

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<tr>
<th>Approach to dealing with moral issues</th>
<th>Principle</th>
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<tbody>
<tr>
<td>Virtue ethics approach</td>
<td>The ethical choice best reflects moral virtues in yourself and your community</td>
</tr>
<tr>
<td>Utilitarian approach</td>
<td>The ethical choice produces the greatest excess of benefits over harm</td>
</tr>
<tr>
<td>Fairness approach</td>
<td>The ethical choice treats everyone the same and shows no favoritism or discrimination</td>
</tr>
<tr>
<td>Common good approach</td>
<td>The ethical choice advances the common good</td>
</tr>
</tbody>
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Ethics in Information Technology

• Public concern about the ethical use of information technology includes:
  – E-mail and Internet access monitoring
  – Peer-to-peer networks violation of copyright
  – Unsolicited e-mail
  – Hackers and identify theft
  – Plagiarism
  – Cookies and spyware

Ethics in Information Technology (continued)

• The general public has not realized the critical importance of ethics as applied to IT
• Important technical decisions are often left to technical experts
• General business managers must assume greater responsibility for these decisions
• They must be able to make broad-minded, objective, ethical decisions based on technical savvy, business know-how, and a sense of ethics
• They must also try to create a working environment in which ethical dilemmas can be discussed openly, objectively, and constructively
An Overview of This Text

- Chapter 2
  - Ethics is important to IT professionals and IT users
- Chapter 3
  - Computer crime
- Chapter 4
  - Personal data privacy
  - Employee monitoring

An Overview of This Text (continued)

- Chapter 5
  - Internet communications
  - Freedom of expression
- Chapter 6
  - Protection of intellectual property rights through patents, copyrights, and trade secrets
- Chapter 7
  - Software development process

An Overview of This Text (continued)

- Chapter 8
  - Use of nontraditional employees
  - Implications of whistle-blowing
- Chapter 9
  - Impact of IT on society

Summary

- Ethics is a set of beliefs about right and wrong behavior
- Ethics in business is becoming more important because the risks associated with inappropriate behavior have grown
- Corporations want to protect themselves and their employees from legal action
Summary (continued)

• 7-step approach to ethical decision making
• Trends contributing to the risk of using information technology unethically include:
  – Growth of the Internet
  – Ability to capture and store vast amounts of personal data online
  – Greater reliance on information systems