

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

Corporate Satisfaction with their Codes of Ethics

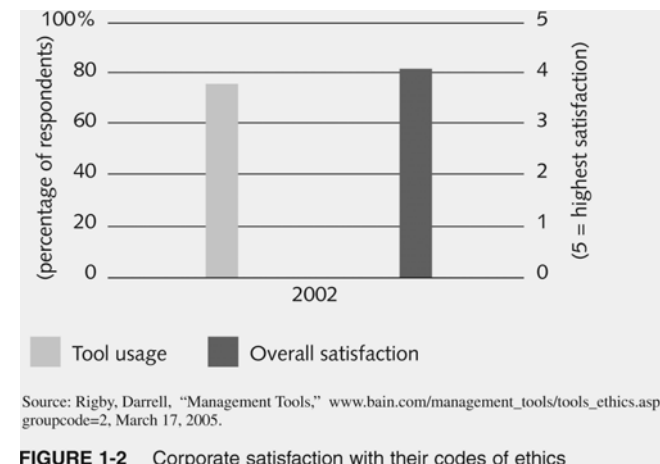


FIGURE 1-2 Corporate satisfaction with their codes of ethics

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

TABLE 1-1 How management can affect employees’ ethical behavior

Managerial behavior that can encourage unethical behavior	Possible employee reaction
Set and hold people accountable for meeting “stretch” goals, quotas, and budgets	“My boss wants results, not excuses, so I have to cut corners to meet the goals my boss has set.”
Fail to provide a corporate code of ethics and operating principles to guide decision making	“Because there are no guidelines, I don’t think my conduct is really wrong or illegal.”
Fail to act in an ethical manner and set a poor example for others to follow	“I have seen other successful people take unethical actions and not suffer negative repercussions.”

How Management Can Affect Employees’ Ethical Behaviour (continued)

TABLE 1-1 How management can affect employees’ ethical behavior (continued)

Managerial behavior that can encourage unethical behavior	Possible employee reaction
Fail to hold people accountable for unethical actions	“No one will ever know the difference, and if they do, so what?”
When employees are hired, put a 3-inch binder titled “Corporate Business Ethics, Policies, and Procedures” on their desks. Tell them to “read it when you have time and sign the attached form that says you read and understand the corporate policy.”	“This is overwhelming. Can’t they just give me the essentials? I can never absorb all this.”

Manager’s Checklist

TABLE 1-2 Manager’s checklist for establishing an ethical work environment

Questions	Yes	No
Does your company have a corporate code of ethics?	___	___
Was the corporate code of ethics developed with broad input from employees at all levels within the organization, and does it have their support?	___	___
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?	___	___
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?	___	___
Do employees participate in annual training to reinforce the values and principles that make up the corporate code of ethics?	___	___
Do you set an example by communicating the corporate code of ethics and actively using it in your decision making?	___	___
Do you evaluate and provide feedback to employees on how they operate with respect to the values and principles in your corporate code of ethics?	___	___
Do you seek feedback from your employees to ensure that their work environment does not create conflicts with the corporate code of ethics?	___	___
Do employees believe that you are fair, and do they seek your advice when they see coworkers violating the company’s code of ethics?	___	___
Do employees have an avenue, such as an anonymous hotline, for reporting infractions of the code of ethics?	___	___
Are employees aware of sanctions for breaching the code of ethics?	___	___

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

TABLE 1-3 Philosophical theories for ethical decision making

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

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