Ethics in Information Technology

Chapter 1
An Overview of Ethics

George W. Reynolds

Learning Objectives

- What is ethics, and why is it important to act according to a code of ethics?

- Why is business ethics becoming increasingly important?

- What are organizations doing to improve their business ethics?

Learning Objectives

- Why are organizations interested in fostering good business ethics?

- What approach can you take to ensure ethical decision making?

- What trends have increased the risk of using information technology in an unethical manner?

Ethics

Set of beliefs about right and wrong behavior within a society

- **Moral code**: Statements about how people should behave within a society

Morality: Shared social conventions about right and wrong that become the basis for an established consensus

- Vary by age, culture, ethnicity, religion, life-experiences, education, and gender

Virtues and vices define an individual's moral values

- **Virtue**: Habit that inclines people to do what is acceptable
- **Vice**: Habit of unacceptable behavior

Integrity

- Acting in accordance with a personal code of principles

- Extending same respect and consideration to all that one expects to receive from others

- Applying the same moral standards in all situations

- Inconsistency emerges:

  - In a situation that conflicts with one's moral standards

  - If one applies moral standards differently according to the situation or people involved

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Difference Between Morals, Ethics, and Laws

Morals	Ethics	Law
• Personal beliefs about right and wrong • Moral acts conform to what an individual believes to be the right thing to do	• Standards or codes of behavior expected of an individual by a group to which the individual belongs	• System of rules, enforced by a set of institutions, that tells us what we can and cannot do • Legal acts are acts that conform to the law

Ethics in the Business World

- Following increases likelihood of unethical behavior
  - Highly complex work environments make it difficult to apply principles and codes of ethics consistently
  - Pressure to maintain revenue and profits
- Risk of financial loss and criminal or civil lawsuits is more prevalent for businesses that act unethically
  - Result of heightened vigilance by employees, shareholders, and regulatory agencies

Bathsheba Syndrome

- Reference to the biblical story of King David, who became corrupted by his power and success

- Moral corruption of those in power is facilitated when people choose to ignore their leaders inappropriate behavior

Corporate Social Responsibility (CSR)

- Organization taking responsibility for the impact of its actions on the:
  - Environment
  - Community
  - Welfare of its employees
- **Supply chain sustainability**: Developing and maintaining a supply chain that meets the needs of the present without compromising the ability of future generations to meet their needs

Why Fostering Corporate Social Responsibility and Good Business Ethics Is Important

- To gain the good will of the community

- To create an organization that operates consistently

- To foster good business practices

- To protect organization/employees from legal action

- To avoid unfavorable publicity

Figure 1.2 - Reducing Ethics Risk
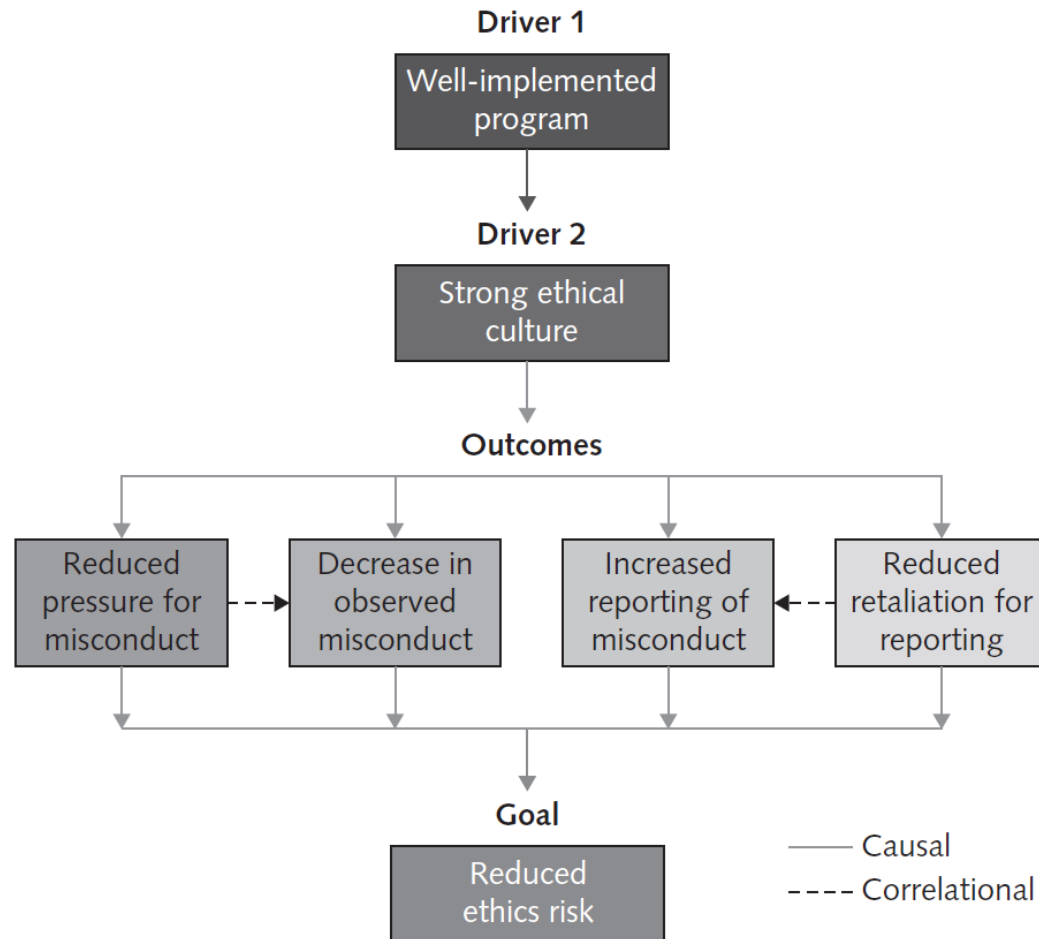
Credit: Courtesy Ethics Resource Center, "2011 National Business Ethics Survey: Workplace Ethics in Transition"

Characteristics of a Successful Ethics Program

- Employees are willing to seek advice about ethics issues

- Employees feel prepared to handle situations that could lead to misconduct

- Employees are rewarded for ethical behavior

- Organization does not reward success obtained through questionable means

- Employees feel positively about their company

Corporate Ethics Officer

- Provides an organization with vision and leadership in the area of business conduct
- Ideally a senior-level manager who reports directly to the CEO
- Known as **corporate compliance officer**
- Responsibilities
  - Ensuring compliance of ethical procedures
  - Creating and maintaining the ethics culture that the highest level of corporate authority wishes to have
  - Being the key contact person for ethics issues

Ethical Standards Set by Board of Directors

- Conducting themselves according to the highest standards of personal and professional integrity
- Setting the standard for company-wide ethical conduct
- Ensuring compliance with laws and regulations
- Creating an environment in which employees can:
  - Seek advice about business conduct
  - Raise issues
  - Report misconduct

Establishing a Corporate Code of Ethics

- **Code of ethics**: Statement that:
    - Highlights an organization's key ethical issues
    - Identifies the overarching values and principles important to the organization and its decision making
- Organizational code of ethics should:
    - Apply to its directors, officers, and employees
    - Focus on employees in work-roles susceptible to ethical risk
    - Provide mechanisms for reporting unethical conduct
    - Fostering a culture of honesty and accountability

Sarbanes-Oxley Act of 2002

- Enacted in response to public outrage over several major accounting scandals

- Section 404

  - Annual reports must be signed by the CEO and CFO attesting that the information in the firm's SEC filings is accurate

- Section 406

  - Public companies must disclose whether they have a code of ethics and any waiver of the code for certain members of management

Sarbanes-Oxley Act of 2002

- Requires listed companies to have code applicable to all employees, senior management, and directors

- Code of ethics
  - Company-wide acceptance requires employee participation and endorsement by the leadership
  - Must be easily accessible by employees, shareholders, business partners, and the public
  - Must continually be applied to a company's decision making and be an important part of its culture

Social Audit

- Organization reviews its ethical and social responsibility goals, and communicates its goals for the upcoming year

- Information is shared with the:
  - Stakeholders
  - Market analysts
  - Government agencies
  - Communities in which the organization operates

Ethics Training for Employees

- Includes:
  - Showing employees examples of how to apply the code of ethics in real life
  - Comprehensive ethics education program that encourages employees to act ethically
- Goal
  - Encourage employees to report any misconducts
  - Show employees effective ways of reporting incidents
  - Reassure employees that such feedback will be acted on and that they will not be subjected to retaliation

Ethical Criteria in Employee Appraisals

- Treating others fairly and with respect

- Operating effectively in a multicultural environment

- Accepting personal accountability for meeting business needs

- Continually developing others and themselves

- Operating openly and honestly with suppliers, customers, and other employees

Table 1.4 - Manager's Checklist for Establishing an Ethical Work Environment

Question	Yes	No
Does your organization have a code of ethics?		
Do employees know how and to whom to report any infractions of the code of ethics?		
Do employees feel that they can report violations of the code of ethics safely and without fear of retaliation?		
Do employees feel that action will be taken against those who violate the code of ethics?		
Do senior managers set an example by communicating the code of ethics and using it in their own decision making?		
Do managers evaluate and provide feedback to employees on how they operate with respect to the values and principles in the code of ethics?		
Are employees aware of sanctions for breaching the code of ethics?		
Do employees use the code of ethics in their decision making?		

Source Line: Course Technology/Cengage Learning.

Steps in a Decision-Making Process

Problem statement

- Clear and concise description of the issue

Identify, evaluate, and choose an alternative

- Brainstorming with others will help identify a broad range of alternatives and determine the best solution

Implement the decision in an efficient, effective, and timely manner

- Requires developing a transition plan to explain to people how the change will be carried out

Evaluate the results

- Observe impact on the organization and stakeholders

Table 1.5 - Summary of Four Common Approaches to Ethical Decision Making

Approach to dealing with ethical 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.

Source Line: Course Technology/Cengage Learning.

Limitations of Various Approaches to Ethical Decision Making

Value ethics approach

- Does not provide a guide for action
- Virtue cannot be worked out objectively, it depends on the circumstances

Utilitarian approach

- Measuring and comparing the values of certain benefits and costs is difficult
- Predict the full benefits and harm that result from a decision is difficult

Fairness approach

- Decisions can be influenced by personal bias
- Affected parties may consider the decision unfair

Common good approach

- Arriving at a consensus becomes difficult
- Some groups are required to bear greater costs than others

Ethics in Information Technology

- Concerns about the ethical use of information technology
  - E-mail and Internet access monitoring at work
  - Downloading in violation of copyright laws
  - Unsolicited e-mail
  - Identify theft by hackers
  - Plagiarism by students
  - Cookies and spyware to track a site's visitors' hard drives

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Ethics in Information Technology

- Requires managers to assume greater responsibility for ethical decisions by:
  - Making broad-minded, objective decisions based on technical savvy, business know-how, and a sense of ethics
  - Creating a working environment in which ethical dilemmas can be discussed openly, objectively, and constructively

Summary

- Ethics is important because the risks associated with inappropriate behavior have increased
- Organizations have at least five good reasons for encouraging employees to act ethically
  - To gain the good will of the community
  - To create an organization that operates consistently
  - To foster good business practices
  - To protect the organization and its employees against legal action
  - To avoid unfavorable publicity

Summary

- Organizations require successful ethics programs
- The corporate ethics officer ensures that ethical procedures are installed and followed
- Managers' behaviors and expectations can strongly influence employees' ethical behavior
- Most of us have developed a simple decision-making model that includes five steps
- Ethical considerations must be incorporated into decision making

Summary

- Four common approaches to ethical decision making
    - Virtue ethics approach
    - Utilitarian approach
    - Fairness approach
    - Common good approach