

## **Relationships Between IT Workers and Clients**

IT workers provide services to clients; sometimes those “clients” are coworkers who are part of the same organization as the IT worker. In other cases, the client is part of a different organization. In relationships between IT workers and clients, each party agrees to provide something of value to the other. Generally speaking, the IT worker provides hardware, software, or services at a certain cost and within a given time frame. For example, an IT worker might agree to implement a new accounts payable software package that meets a client’s requirements. The client provides payment, access to key contacts, and perhaps a workspace. This relationship is usually documented in contractual terms— who does what, when the work begins, how long it will take, how much the client pays, and so on. Although there is often a vast disparity in technical expertise between IT workers and their clients, the two parties must work together to be successful.

Typically, the client makes decisions about a project based on information, alternatives, and recommendations provided by the IT worker. The client trusts the IT worker to use his or her expertise and to act in the client’s best interests. The IT worker must trust that the client will provide relevant information, listen to and understand what the IT worker says, ask questions to understand the impact of key decisions, and use the information to make wise choices among various alternatives. Thus, the responsibility for decision-making is shared between client and IT worker.

One potential ethical problem that can interfere with the relationship between IT workers and their clients involves IT consultants or auditors who recommend their own products and services or those of an affiliated vendor to remedy a problem they have detected. Such a situation has the potential to undermine the objectivity of an IT worker due to a conflict of interest—a conflict between the IT worker’s (or the IT firm’s) self-interest and the interests of the client. For example, an IT consulting firm might be hired to assess a firm’s IT strategic plan. After a few weeks of analysis, the consulting firm might provide a poor rating for the existing strategy and insist that its proprietary products and services are required to develop a new strategic plan. Such findings would raise questions about the vendor’s objectivity and whether its recommendations can be trusted.

Problems can also arise during a project if IT workers find themselves unable to provide full and accurate reporting of the project's status due to a lack of information, tools, or experience needed to perform an accurate assessment. The project manager may want to keep resources flowing into the project and hope that problems can be corrected before anyone notices. The project manager may also be reluctant to share status information because of contractual penalties for failure to meet the schedule or to develop certain system functions. In such a situation, the client may not be informed about a problem until it has become a crisis. After the truth comes out, finger-pointing and heated discussions about cost overruns, missed schedules, and technical incompetence can lead to charges of fraud, misrepresentation, and breach of contract.

**Fraud is the crime of obtaining goods**, services, or property through deception or trickery. Fraudulent misrepresentation occurs when a person consciously decides to induce another person to rely and act on a misrepresentation. To prove fraud in a court of law, prosecutors must demonstrate the following elements:

- The wrong doer made a false representation of material fact.
- The wrong doer intended to deceive the innocent party.
- The innocent party justifiably relied on the misrepresentation.
- The innocent party was injured.

As an example of alleged fraud, consider the case of Paul Ceglia, who in 2010 sued Facebook claiming to own a majority of the company. Ceglia claimed that he signed a contract with Mark Zuckerberg in 2003 to design and develop the Web site that eventually became Facebook. He alleged that he paid Zuckerberg \$1,000 for the programming work and also invested an additional \$1,000 in Zuckerberg's Facebook project in exchange for a 50 percent interest in Facebook. Facebook lawyers have asserted that the lawsuit is an outright fraud and have depositions alleging that "Ceglia manufactured evidence, including purported emails with Zuckerberg, to support his false claim to an interest in Facebook" and that "Ceglia destroyed evidence that was inconsistent with his false claim." Facebook's attorneys pointed out that Zuckerberg did not even conceive of Facebook until eight months after Zuckerberg did the contract work (which, they say, was completely unrelated to Facebook) for Ceglia. They further

alleged that Ceglia's emails to Zuckerberg were manufactured to support his claims. Eventually, Ceglia was arrested on federal mail and wire fraud charges.

**Misrepresentation** is the misstatement or incomplete statement of a material fact. If the misrepresentation causes the other party to enter into a contract, that party may have the legal right to cancel the contract or seek reimbursement for damages.

**Breach of contract** occurs when one party fails to meet the terms of a contract. Further, a material breach of contract occurs when a party fails to perform certain express or implied obligations, which impairs or destroys the essence of the contract. Because there is no clear line between a minor breach and a material breach, determination is made on a case-by-case basis. "When there has been a material breach of contract, the non-breaching party can either:

(1) rescind the contract, seek restitution of any compensation paid under the contract to the breaching party, and be discharged from any further performance under the contract;

or (2) treat the contract as being in effect and sue the breaching party to recover damages."

In an out-of-court settlement of a breach of contract lawsuit brought by the General Services Administration (GSA), Oracle Corporation agreed to pay the federal agency \$200 million. Oracle entered into a contract with the GSA for the sale of software and technical support to various departments of the federal government. The contract required Oracle to provide the government with its pricing policies. The lawsuit arose when the GSA claimed that Oracle "knowingly failed to meet its contractual obligations to provide GSA with current, accurate, and complete information about its commercial sales practices, including discounts offered to other customers, and that Oracle knowingly made false statements to GSA about its sales practices and discounts." The GSA further claimed that Oracle failed to disclose that other customers received greater discounts than the GSA and that, based on its contract with Oracle, those discounts should have been passed on to the GSA.

When IT projects go wrong because of cost overruns, schedule slippage, lack of system functionality, and so on, aggrieved parties might charge fraud, fraudulent misrepresentation, and/or breach of contract. Trials can take years to settle, generate substantial legal fees, and create bad publicity for both parties. As a result, the vast majority of such disputes are settled out

of court, and the proceedings and outcomes are concealed from the public. In addition, IT vendors have become more careful about protecting themselves from major legal losses by requiring that contracts place a limit on potential damages. Most IT projects are joint efforts in which vendors and customers work together to develop a system. Assigning fault when such projects go wrong can be difficult; one side might be partially at fault, while the other side is mostly at fault. Clients and vendors often disagree about who is to blame in such circumstances. Consider the following frequent causes of problems in IT projects:

- The customer changes the scope of the project or the system requirements.
- Poor communication between customer and vendor leads to performance that does not meet expectations.
- The vendor delivers a system that meets customer requirements, but a competitor comes out with a system that offers more advanced and useful features.