

Contents: An Overview of Ethics

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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
 1. Globalization
 2. Heightened vigilance by
 - Employees
 - Shareholders
 - Regulatory agencies

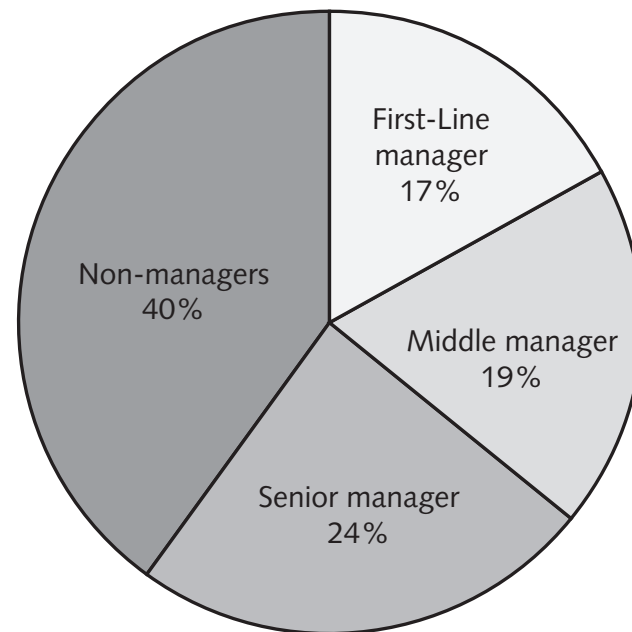
Ethics in the Business World (continued)

- Recent scandals in IT companies
 - HP
 - WorldCom
 - Qwest Communications International Inc.
 - Adelphia Communications Corp.
 - Computer Associates (CA)
 - Comverse Technology
 - Satyam Computer Services
 - Hexin Chip (Chinese digital signal processing chip)

Most Common Forms of Employee Misconduct

Type of employee misconduct	Percentage of surveyed employees observing this behavior in the workplace
Misuse of company time	33
Abusive behavior	21
Lying to employees	20
Company resource abuse	20
Violating company Internet use policies	16
Discrimination	15
Conflicts of interest	15
Inappropriate social networking	14
Health or safety violations	13
Lying to outside stakeholders	12
Stealing	12
Falsifying time reports or hours worked	12

Who is Responsible for Instances of Misconduct?



2013 National Business Ethics Survey

Why Fostering Good Business Ethics is Important?

1. To gain the goodwill of the community
2. To create an organization that operates consistently
3. To produce good business
4. To protect the organization and its employees from legal action
5. To avoid unfavorable publicity

I. Gaining the Goodwill of the Community

- **Basic responsibilities to society**

- Declared in formal statement of company's principles or beliefs

- Include:

- 1. Making contributions to charitable organizations and nonprofit institutions

- 2. Providing benefits for employees in excess of legal requirements

- 3. Choosing economic opportunities that might be more socially desirable than profitable

Microsoft's Statement of Value

Our Values

As a company, and as individuals, we value integrity, honesty, openness, personal excellence, constructive self-criticism, continual self-improvement, and mutual respect. We are committed to our customers and partners and have a passion for technology. We take on big challenges, and pride ourselves on seeing them through. We hold ourselves accountable to our customers, shareholders, partners, and employees by honoring our commitments, providing results, and striving for the highest quality.

Source: Accessed at www.microsoft.com/about/default.msp.



Gaining the Goodwill of the Community (continued)

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

Organization	Example of socially responsible activity
Google, Inc.	Donated \$33 million in free ads to nonprofit organizations in low-income areas ¹²
Hewlett-Packard	Employees work to implement technology solutions to benefit residents of central city communities ¹³
IBM	Awards millions of dollars of grants each year to support the arts
Intel	Supplied 100,000 computers to schools in low-income neighborhoods ¹⁴
Microsoft	Matches its employees' direct contributions to thousands of nonprofit organizations ¹⁵
SAP America	Awards up to nine undergraduate students a \$10,000 scholarship each academic year ¹⁶
Yahoo!	Allows employees to take time off to develop technology applications to aid charitable organizations ¹⁷

2. 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

3. 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
- Suppliers and other business partners prefer companies that operate in a fair and ethical manner
- Bad ethics can lead to bad business results

4. Protecting the Corporation and Its Employees from Legal Actions

- In 1991, 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% if the organization has implemented an ethics management program and cooperates with authorities

5. 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

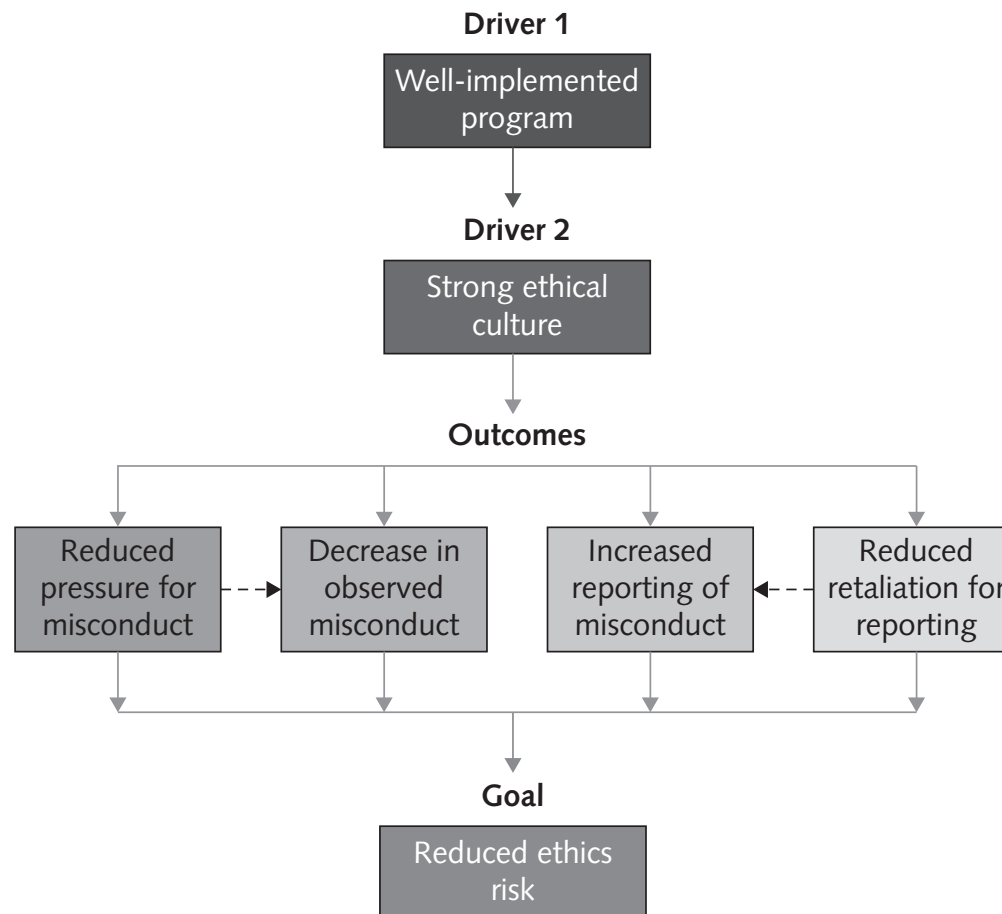
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Improving Corporate Ethics

- Risks of unethical behavior are increasing
- Improvement of business ethics is becoming more important
- Only **one in four organizations** has a **well-implemented ethics and compliance** program, that is identified by:
 1. Employees are willing to seek advice about ethics issues.
 2. Employees feel prepared to handle situations that could lead to misconduct.
 3. Employees are rewarded for ethical behavior.
 4. The organization does not reward success obtained through questionable means.
 5. Employees feel positively about their company

Reducing the Risk of Unethical Behavior



National Business Ethics Survey

Finding	2007 Survey results	2009 Survey results	2011 Survey results	2013 Survey results
Percentage of employees who said they witnessed a violation of the law or ethics standards on the job	56	49	45	41
Percentage of employees who said they reported misconduct when they saw it	58	63	65	63
Percentage of employees who felt pressure to commit an ethics violation	10	8	13	9
Percentage of employees who say their business has a weak ethics culture	39	35	42	36

I. Appointing a Corporate Ethics Officer

- Corporate ethics definition includes
 - Ethical conduct
 - Legal compliance
 - Corporate social responsibility
- **Corporate Ethics Officer** (or Corporate Compliance 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

I. 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

2. 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

3. 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

Legal Overview: The Sarbanes-Oxley Act

- Enacted in response to public outrage over several major accounting scandals
- Section 404 requires that the CEO (Chief executive officer) and CFO (Chief financial officer) sign any SEC (Security and Exchange Commission) 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

Intel Code of Ethics

1. Intel conducts business with honesty and integrity
2. Intel follows the letter and spirit of the law
3. Intel employees treat each other fairly
4. Intel employees act in the best interests of Intel and avoid conflicts of interest
5. Intel employees protect the company's assets and reputation

Source: Intel's public conduct code for employees, published in Intel's Social Media Guidelines, www.intel.com/sites/sitewide/en_US/social-media.htm (accessed January 26, 2009).



4. Conducting Social Audits

- **Social audit**

- Identifies ethical **lapses** committed in the past
- Sets directives for avoiding similar missteps in the future
- This information is shared with employees, shareholders, investors, market analysts, customers, suppliers, government agencies, and the communities in which the organization operates

Partial Intel 2007 Corporate Responsibility Report

2007 Goals	2007 Performance	Results
Audit 20% of our suppliers who may be at high risk for nonconformance to the EICC	We did not reach our 20% goal; challenges included industry-wide supplier classification and auditor training	Did not meet goal
Reduce greenhouse gas emissions per production unit by 30% from 2004 levels by 2010	Goal remains on track; absolute greenhouse gas emissions were down 6%	Met our goal
Reduce water usage per production unit below 2005 levels by 2010	Absolute water use was down 2%; usage was up 4% per chip	Did not meet goal
Recycle more than 70% of both chemical and solid waste generated from our worldwide facilities	In 2007, Intel recycled 89% of the solid waste and 87% of the chemical waste generated at our facilities worldwide	Met our goal
Empower students and teachers by donating 20,000 computers to schools in developing nations	Donated 27,000 full-featured PCs with Internet connectivity to more than 500 schools in 22 countries as part of our education donation program	Met our goal

Source: Intel 2007 Corporate Responsibility Report, www.intel.com/go/responsibility.

5. 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

6. 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