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Ethics

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Abstract
Within information technology (IT) divisions and organizations, the need to execute in a competitive and complex technical environment while demonstrating personal integrity can be a significant personal and organizational challenge. Supplying concrete guidelines for those at ethical crossroads, the following excerpt from the book by Tandy Gold, *Ethics in IT Outsourcing*, explores the complex challenges of aligning IT outsourcing programs with ethical conduct and standards. Based upon the author’s decades of experience in working with large firms in IT and outsourcing, this research is suitable for both veteran IT practitioners and stakeholders new to the topic. The excerpt below addresses the following ethical challenges related to IT outsourcing includes the following: (1) provides guidance on the ethical structure and execution of IT outsourcing; (2) identifies tools to concretely analyze and support the establishment of ethical program principles; (3) covers generally accepted ethical conduct and standards; and (4) describes how to align existing and new outsourcing programs to ethical standards. Based upon significant research on the economic impact of IT outsourcing at a microeconomic, macroeconomic, and corporate level, these concepts provide a comprehensive set of ethical program components that are both pragmatic and powerful.

The first is to look at the existing established framework of business ethics, as represented by the exciting, new, and rapidly growing body of academic research. The second area of discussion is to review and identify some deeply held, but nonetheless deeply untrue, macroeconomic myths fostered by the media and others. Once this groundwork has been covered, we will be able to look at ethics in IT outsourcing with the depth it deserves.

To start, let us look at the typical view of ethics within a large IT department. If you were to stop a Fortune 100 IT employee and ask about ethics, how would the person respond?

- First, ethics generally comes under the heading of compliance. Corporate ethics frequently focuses upon addressing illegalities relative to discrimination based on sex, ethnicity, sexual orientation, religion, or other personal factors. These include accounting rules of compliance, hiring rules of compliance, tax bylaws, etc.
- Second, there are corporate value statements—integrity, honesty, etc. These are of limited value if they are not modeled seriously by the firm executive leadership.
- Third, there are the more voluntary ethical alignments, such as Green IT, where negative environmental impact or footprint is minimized.

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When the minted gold in the vault smiles like the nightwatchman’s daughter,
When warrantee deeds loaf in chairs opposite and are my friendly companions,
I intend to reach them my hand, and make as much of them as I do of men and women like you.

—Walt Whitman, A Song for Occupation

**ETHICS IN IT OUTSOURCING**

**An Exploration of Ethics in IT Outsourcing**

This entry explores the topic of ethics in IT outsourcing within the context of the rapidly maturing body of research on business ethics. To remain grounded in reality, this inquiry includes discussion related to the ethics of movement of IT jobs overseas. While immediate monetary savings from labor arbitrage is not the only driver behind IT outsourcing, it is certainly one of the primary ones.[1] It is important to move beyond the typical IT Associations’ ethical statements that focus upon the importance of simply not breaking the law or being compliant with general standards of professional conduct and courtesy.

But to take on this broader, more meaningful discussion of ethics, we must first understand the background. Therefore, we will explore two areas of inquiry.
Finally, there is the active support of worthy causes such as charitable contributions, volunteering, and other measures of positive corporate citizenship.[1]

There is clearly a problem with this narrow ethical view. Enron, one of the corporate poster children for ethical breaches, was cited in *Fortune* magazine as a model of ethical conduct prior to its financial meltdown (see [http://en.wikipedia.org/wiki/Enron]).[1]

More importantly, this narrow view clearly contributes to the curious separation and marginalization of ethical conduct within the larger business context. It is not unusual for a company to double its prices for the most economically vulnerable, voiceless customers to hold itself as a paragon of ethics. This is because at the same time it was compliant with all regulations, issued a new corporate value statement, implemented Green IT, and gave millions of dollars to a favorite charity.

With the advent of the Internet, and the new transparency it engenders, however, more and more accountability is pressuring firms to embody not only the surface but also the deeper meanings of ethics.[1]

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**The Business of Ethics: A New and Growing Body of Research on Three Levels of Ethical Inquiry**

The growing number of publicly acknowledged ethical breaches, perhaps embodied most strongly by the bailout of the nation’s banks for clear violations in good business practices, is ironically the fuel behind the increasing number of well-funded academic chairs and curriculum dedicated to business ethics. A good summary of business ethical research to date can be found at [http://plato.stanford.edu/entries/ethics-business].[2]

To date, business ethics centers on three levels (see Fig. 1).[2]

1. Microethics—personal
2. Molar ethics—corporate
3. Macroethics—society as a whole

We will use the above framework to explore ethics in IT outsourcing.

**MacroEthics: Debunking MacroEconomic Myths**

Let us start with the reality of macroeconomic America. The United States that exists in the popular imagination...
Fig. 2  Median duration of unemployment (UEPMED).
Source: From Federal Reserve Bank of St. Louis 2011, http://research.stlouisfed.org/fred2/series/UEPMED.\[3\]

Fig. 3  Percentage of job losses relative to peak employment month in post-World War II recessions.
Source: From http://www.calculatedriskblog.com/\[4\]
of the 1950s, in which anyone can grow up to be like Bill Gates, does not align with reality.

Today’s economic environment is one in which more individuals are out of work, and stay unemployed for a long time (Figs. 2 and 3).

The dramatic extent to which these trends are magnified as compared to earlier recessions is not well understood or reported, but is clearly illustrated in the trend charts here. While the overall worldwide and U.S. economic stasis is all too oddly extremely well known, there are many macroeconomic myths that must be debunked before we can have a meaningful discussion on any level of ethics. These popular myths about the United States are so dramatically opposite to our economic reality that some studies show that even professional economists donot grasp the reality.

What are the facts that are so very different from our societal truth? Listed below are the myths and the reality.

- **Myth:** The United States holds a solid economic leadership role worldwide.
- **Reality:** When standard economic indexes such as the GDP are normalized for income inequality, the United States is down to the normalized rank of 52 or 53, near Romania and Cuba. In other words, the average U.S. citizen experiences the advantages of personal wealth—in terms of income, access to health care, and access to education—as a Third World country, and not as a First World. Sadly, latest polls show that the majority of Americans perceive the United States will rapidly lose ground in worldwide economic leadership in the next few decades. Find out more at http://hdr.undp.org/en/media/HDR_2011_EN_Table3.pdf.[5]
- **Myth:** Outsourcing, including IT outsourcing, has a negative impact on the economy as a whole.
- **Reality:** Most research shows that outsourcing as a whole is actually either neutral or positive for the economy as a whole—as difficult as it can be for individuals or communities. This is true for long-term studies, such as those looking at manufacturing outsourcing since the 1950s (e.g., the excellent study by Maxim Belinkiy at UC Davis, “The Determinants of Outsourcing from the U. S.: Evidence from Domestic Manufacturing Industries, 1972–2002”).[6]
- **Myth:** This is not too difficult to understand—it is the same principle that you may use if you outsource your lawn maintenance to the teenager next door. If you take that non-core activity and invest the time you usually spend mowing your lawn into your online business, you could generate jobs from that investment over time.
- **Reality:** What this macroeconomic reality does not address, of course, is the reality of individuals who are caught in the tsunami of IT outsourcing—this is discussed further in Molar ethics. Find out more at http://mpra.ub.uni-muenchen.de/17911/1/MPRA_paper_17911.pdf.[6]

- **Myth:** Outsourcing, including IT outsourcing, is the main driver behind our existing economic downturn.
- **Reality:** The reality is that it is the extreme inequality in the United States that is causing our economic distress. It is so pronounced that even Bloomberg, the economic index, cites it as a key factor behind the lack of economic growth in the United States (http://www.bloomberg.com/news/2012-06-13/inequality-it-s-even-worse-than-we-thought.html).
- **Myth:** How severe is the income inequality in the United States? It is extraordinary and getting much worse over time.

### Income Inequality in the United States: A Global Extreme in the Extreme, and Hurting All Americans

U.S. citizens need to know that, compared with other First World countries, our income inequality is much more pronounced, and represents a trend so long-term and far-reaching that even billionaires such as Warren Buffet have gone on record to communicate their concern.

Between 1979 and 2007 in pretax income growth:

- The top 1% increased income by 38.7% between 1979 and 2007
- The next top 4% increased income by 15.8%

Whereas, during the same time period,

- The very bottom 20% increased income only by 0.4%
- The next-to-bottom 20% increased income only by 3%

These trends coincide with a dramatic reduction in U.S. taxes on the wealthiest top 1%, from 37% in 1979, to 29.5% in 2007—a tax reduction that is more pronounced than within any other income group.[7]

Learn more at the Economic Policy Institute link http://www.epi.org/publication/taxes_on_the_wealthy_have_gone_down_dramatically/[7]

All U.S. statistics related to income distribution as compared to other First World countries are dramatically skewed—almost beyond belief. For example, one measure that compares CEO-to-worker income provides a glimpse into the wildly skewed income distribution in America. **CEO-to-worker ratios of income in other First World countries range from 11-to-1 (Japan) to almost 50-to-1 (Venezuela). In the United States the ratio is 475-to-1!** Yes—this is **NOT** a typo! (http://creativeconflictwisdom.wordpress.com/2011/10/07/ration-of-
The topic of income inequality is too broad to examine fully here, the additional references are listed at the end of this entry.

What is clear, however, is that wealth distribution is like a game of cards in which the odds are highly stacked—to favor that lucky, elusive top 1% to 5% of Americans owning 80% or more of the total wealth (depending upon how it is defined).

Why does this hurt all Americans, even those who manage to be nearer the top of the pyramid?

The key is that wealth and income distribution is a strong predictor, at least in the United States, in determining access to higher education. As the average citizen in the United States gets poorer and poorer (as fewer and fewer amass untold amounts of wealth), the ability of our smart and deserving U.S. citizens in accessing higher education is diminished. In many ways, the focus on outsourcing, including IT outsourcing, with all of the dramatic newspaper coverage, has served to cover the much more all-encompassing, negative impact of the lack of educational access due to income inequality. In the longterm, it is this lack that will ultimately ensure the United States is a grade C player across the economics of the world stage.

Education is the great inoculator to poverty. The ongoing dramatic U.S. recession is a poor-man’s recession—income is directly related to not only higher educational attainment, but also unemployment. (Fig. 4, the U.S. Department of Labor, above). [9]

For the United States, where the per capita income is very low as compared to other First World countries, a double whammy exists—the costs of a college education are much higher. This means one simple fact. Fewer and fewer American citizens are able to afford higher education.

In competitive labor market of First World countries, most of the so-called private institutions of higher learning are publically funded, and access is granted to students via national examinations to ensure that native talent is not wasted.

Not so in the United States. In America, it is not the smart that get to go to college, but it is the wealthy (Fig. 5). [10]

From a macroeconomic perspective, the forecast of the United States looks bleak. As our population becomes poorer and poorer (as per the aforementioned economic trend of the rich getting richer) the resulting lack of educated workers will force large corporations to turn to other First World countries.

There is strong evidence that this is already happening, as skills mismatch is becoming evident in our prevailing recession. This mismatch is shown by the fact that even though the total number of U.S. open jobs is increasing (i.e., more job openings), the unemployment rate remains puzzlingly high. Although there is a debate about what this new macroeconomic development really means, a growing force of credible economists ascribe this to the fact that the U.S. job-hunting population does not have the skills to fill those jobs. If yesterday’s line manufacturing job is today’s computer-skilled, knowledge worker job, then that knowledge worker needs to have access to a college degree. The poorer we become as a nation, the fewer knowledge workers we produce.

This is another unique facet of our prevailing recession, and it validates the impassioned statement made to the United States by the prestigious organization,
Organization for Economic Co-Operation and Development (OECD). The OECD believes that the future of the global labor force is to be found in the so-called knowledge worker—those individuals who, with access to higher education, are able to bring greater skills to bear to the workforce. They are in a position to know. The OECD administers a global comparative test, called Programme for International Student Assessment (PISA). PISA comparatively tests random 15-year-old highschool students in language, math, and science across the globe. The PISA test is normalized for language and culture so that worldwide educational scores can be compared.

The PISA test results show the United States as performing about average or less than average in our educational results across all nations worldwide. Rather a poor showing for an ostensible world economic leader. (Learn more at http://voices.washingtonpost.com/answer-sheet/guest-bloggers/what-international-test-scores.html).

What is scary is that there is a direct research relationship —with a gap of 15 years —between PISA test scores and gross national product. So, unless the United States improves the quality of our education as compared to the rest of the world, even our collective corporate wealth will suffer over time, as large businesses will be forced to turn to other countries to fill the highly skilled (and educated) positions they require to be successful.

Noting this trend, OECD’s PISA administrators advise...

"Governments need to create education systems that are accessible to everyone, not just a favored few; that are globally competitive on quality; that provide people from all classes a fair chance to get the right kind of education to succeed; and to achieve all this at a price that the nation can afford. The aim is no longer just to provide a basic education for all, but to provide an education that will make it possible for everyone to become knowledge workers."[11]

The lesson seems clear—the lower the per capita income of the average U.S. worker, the lesser the higher education available to the average U.S. worker, and the poorer we all are.

For more information on the macro income inequality in the United States, refer to the facts below from Tandy Gold.[1]

- Median CEO’s income has increased 430% in the last 10 years compared to the average wage income
increase of 26%, and average corporate profit increase of 250%. The ratio of CEO pay to worker pay is at least 10 times (roughly) other nations.

- The gap between the wealthy few and the many poor in the United States is reaching record differences, increasing almost 20% between 1980 and 1992.
- The top 0.1% of Americans, or roughly 152,000 people, showed an increase in income of 385% between 1970 and 2009. The top 0.5% or 610,000 people showed overall increase in income of 141%, the top 1% had an increase of 90%, and the top 5% had an increase of 59%.
- The bottom 90% of Americans experienced a change of minus 1% income during the same time period.

Molar Ethics: Ethics of the Corporation

Now that we have thoroughly grounded the macroeconomic discussion in facts, not mythology, let us turn our attention to the next level of ethical inquiry. This is molar ethics, or ethics of the corporation.

We are in a time of rapidly shifting perception with a focus on business ethics, in which every day seems to bring news of a particularly smarmy, formerly hidden business-related ethical breach. This new awareness is primarily due to the influence of the Internet. Hearing about racial profiling is not quite the same as seeing a viral video of an unarmed black man being beaten by a group of policemen with a baseball bat (http://www.youtube.com/watch?v=SW1ZDiXiuS4).[12] The ubiquitous array of cameras and spyware mean a higher level of accountability for everyone—even large corporations.

Molar or corporate ethics in IT outsourcing means addressing the pink elephant in the room. That pink elephant is the constant debate about IT outsourcing and the ethical dilemma of moving jobs overseas. Let us explore this further in this section.

Unlike the inflamed fear and headlines created to sell newspapers, the results of long-term research points to either a neutral or positive impact on the economy as a whole from outsourcing, including IT outsourcing.[6]

How can moving jobs overseas help the economy as a whole? Let us take the example of a large tire company. They decide to outsource their many IT groups across the United States to a group in India. The economies of scale enjoyed by the large Indian outsourcer means the same or better quality of IT services at much, much lower prices.

It also frees up a lot of time and energy. After all, they are in the tire business, not the IT business. The money that the tire company used to invest in IT is now invested in research, creating a better, stronger, low-cost tire that will help them win market share. The success of the new tire, developed in large part due to the savings related to IT outsourcing, means that the company can now profitably expand, adding an entirely new sales and manufacturing capability—and the jobs that go with them.

By the way, one of the core myths about IT outsourcing at the molar level that needs to be debunked is that every job is subject to outsourcing, within IT or outside of IT. This is utterly ridiculous and is another result of desperate media trying to sell newspapers, or blogs, or tweets.

The reality is that IT outsourcing is a volume play,[11] see also http://www.ethicsinit.com. Significant business process engineering is required to make it work. It’s just not worth it to either the customer or the outsourcing service provider to work with smaller businesses unless highly aggregated (again, into large numbers).

Let’s take an example. A large insurance company is implementing IT outsourcing. They must first establish secure communications with the outsourcer—some sort of satellite, across-the-ocean trunk line, or a combination of both. This is obviously costly to run and monitor unless mitigated by volume, making this an unworkable business model without large numbers (minimum 100 slots).

There is also a great deal of decision making as to what customer information is too sensitive to go overseas, and what is not, how to divide that up, and how to protect it from being mixed with the non-secure data. Security policies, technical network infrastructure, and network security must be redesigned and implemented.

Small and even medium-sized companies donot want that liability and often, simply do not have those internal capabilities. The low return on investment for the outsourcer means little interest from them—they are unlikely to deal with customers that have the future capability of outsourcing a minimum of 100 roles.

Finally, IT project methodology must be completely revamped. Today (pre-outsourcing) I call my colleague Fred in Chicago, ask about his daughter’s marriage, and tell him we need to launch project X. We’ve done this a million times and we know the drill.

Tomorrow (post-outsourcing) there is a team of resources half way around the world that I supervise. Some of those team members probably only understand every other word I utter. I probably never get to meet them in person. All my informal (read assumed and not written down) components of IT project execution must be detailed, researched, documented, transferred, and validated so that a revolving group of workers half a world away can do the work.

For a large company, these are simply the start-up costs. For small and medium-sized companies on an individual basis, they are prohibitive, too risky, or unfeasible. Despite newspaper and even some researchers parroting to the contrary, IT outsourcing has generally been limited to Fortune 500 firms, and will stay that way.
Returning to our example of the tire company—the tire company wins—the employees are more secure, and the company’s products and resultant bottom line are stronger. All is well—right?

Wrong!

What about those IT individuals who lost their job? What if everyone was doing IT outsourcing all at once nationally and there was no employment to be had, even for those who were loyal, long-term workers with great references and experience?

That is what happened with certain jobs within IT outsourcing (not all of them). Companies that did not have IT as a core business, such as our mythical tire company above, clearly benefited, but the individuals who were caught in the tsunami of IT outsourcing were devastated. They spent years in college learning how to code, and suddenly coders were literally a dime a dozen.

Sometimes all it takes is 100 workers—all perhaps living near each other—to devastate an entire community. Take several dozen large companies that outsource, and it can devastate a small city.\(^1\)

Given the outrageous returns on investment in IT outsourcing, there is a clear solution. Firms can take some of the enormous profits from the outsourcing program and invest them in a robust soft landing program. This is not a typical separation package—this is an investment in supporting those IT workers not near retirement in creating a new, workable livelihood. Those near retirement can be compensated without loss. This is the core of molar ethics in IT outsourcing—not stopping the unstoppable train that is IT outsourcing, but providing a softer landing for those who are forced off that train.

This soft-landing worker investment is more than feasible, given the huge return on investment and general economics of outsourcing. How much of a return does IT outsourcing provide? Let’s do the math in a given example demonstrating simple labor arbitrage. In general, if you IT outsource 10% of a 1000-person IT department in a large firm (which is typical), that is 100 people you were paying $80 an hour that can be shifted to overseas resources earning $25 per hour (as an example).\(^1\)

Let us do the math—$80 minus $25 is a savings of $55 per hour, $55 \times 40 = $2200 (savings per resource per week), $2200 times 50 weeks times 100 resources is eleven million dollars savings per year. That is a lot of tire research and development money.

There are start-up costs for IT outsourcing, sometimes very large ones, but in general the overall program savings is huge, and companies often cannot afford to maintain a completely U. S.-based IT department if their competitors aren’t, just to have the same opportunity for huge returns.

In many ways, given the math, IT outsourcing is an imperative for large companies—if your competitor has this cash infusion, and you don’t, it may be the lever that brings everything down.

Since there generally is no corporate structure and mechanism to step back and consider the overall ethical fairness of IT outsourcing—large firms generally don’t have a department of ethics with any real business power—the outmoded approach kicks in. It’s simply not sufficient to let long-term, loyal IT workers go under the old model.

Today companies try to manage the negative impressions inevitably caused by mass layoffs by hiding them; eventually they are found out by the newspapers and the community, and years of positive company relationship management may go by the wayside, simply due to inertia.\(^1\)

Why is it that corporations are so challenged in regard to ethic, such that today entire industries serve as the butt of ethic-related jokes on late-night television?

The real drivers behind employee behavior within the typical Fortune 500 firm are informal measures of success, generally centering upon the perception of the employee by those more powerful in the company hierarchy. These measures drive the behavior of workers who need their jobs to stay financially afloat. The extent to which they compromise their own personal ethics or ideals may vary on a case-by-case basis, but within the corporation the considerations of ethics are so narrow that the more important, larger issues are simply not considered relevant. Thus the example of the paragon of corporate ethical behavior that actively preys upon the financial underclass of America, seeing nothing wrong until news coverage or Internet videos capture the fundamental dysfunction of their business model.

This is how rare, beautiful woods are run over by parking lots, the last nesting places of species are destroyed, and compromises in quality affect our general health and well-being across many industries. There simply is no measure within the corporate entity to underscore the huge relative impacts of such decisions within the narrow framework of an individual worker trying to achieve a quarterly budget.

At the most extreme, one could find ultimately see members of the U.S. Chamber of Commerce as the modern personification of evil, as we have with the 1937 photograph with Hitler, sipping tea and chillingly, ostensibly talking about efficiency.\(^1\)

What is important to realize is that the departmental silos that are necessarily a feature of large corporations—the typical paper-stamping scenarios and hierarchies that are both necessary and ridiculous—foments and supports both a narrow focus and the out-of-control ego. Megalith human resources departments create guidelines for performance that often bear no relation to day-to-day jobs and thus create a kind of desperation for a typical worker just trying to get through a day.
Neither human resources nor the employee’s manager has authority to make these measures more realistic; the employee falls through the cracks, and yet another sale is made that destroys a unique resource, compromises our health, or drains the national treasury and requires a bailout.

The rare whistleblower who bucks this trend often must deal with the resulting ridicule, including social and financial disenfranchisement.

I am convinced that in the corporate life, every employee faces at least one moment—perhaps many—when a choice must be made between doing the right thing and losing the livelihood. The lack of an ethical framework within our business culture, as clearly illustrated in the existing world economy, is threatening our very livelihoods, and sometimes in the case of ethical breaches impacting our health, our very lives.

Hitherto, the pretension was that corporate life was self-policing. Americans are slowly but surely discovering that large corporations are chock-full of the same error-prone, politically suffocating, and essentially illogical human relationships and structures that we have experienced in other institutions, starting with the first school we attended when we were very small.

That the corporate ethical model may be composed of a hodge-podge of mismatched employee incentives and half-baked, weak corporate values does not matter when the damage is done. The fact that these values have no application to the daily decisions of the employees does not matter when the damage to the corporate reputation is done. The opportunity is gone and the negative picture may be indelibly printed in the public mind. This is the cost of ignoring the molar ethical construct.\[^{1}\]

Although a large corporation, like the questionable discount furniture store that goes under every year only to reopen under another name, may appear to suffer no consequences for public, large breaches of ethics, it is hard to measure just how many opportunities are missed or how many deals are not brought to the table. The walking away by deeply principled parties represents the unmeasured costs of a core business culture unfettered by ethical principle. The most interesting business partners, the best and strongest employees—and their creativity and pride—go elsewhere. The participation of the most principled opt out over time, and the firm is left with an abundance of the best—but these are the best swindlers, cheaters, and liars, a perfect reflection of the business model it engenders. This is how the Enron’s of the world are built, at least at a leadership level.

A concept of the Ethics Project or Program Management Office (PMO), created and outlined in my book\[^{1}\] may be one way for large firms to shift the ethical culture. IT professionals are familiar with the concept of an IT PMO. The IT PMO serves as a focal point for creating IT standards across the large silos of large corporations. As an enabling platform that both requires significant investment and represents a strategic (competitive) advantage when executed with intelligence and vision, it doesn’t make sense for each silo to have complete freedom of choice in IT implementation. Not only is it very expensive to implement in that manner, requiring a great deal of technical and human capital duplicative effort, but it is also unwieldy and positions the firm to be at risk when large market forces require a nimble response to a new market or technical trend.

Similarly, the Ethics PMO functions to provide ethical standards that supersede and override what may be a very narrow, and ultimately destructive, tendency to meet business goals at all costs. The Ethics PMO, in some ways, can be likened to risk mitigation regarding a certain kind of large institution myopia. Not long ago, a New York hospital was revealed to have a tape of a woman who collapsed in a waiting room, ultimately dying, while a hospital worker sat next to her seemingly unconcerned. A well-known and respected technology firm had a YouTube film of a worker in Iraq shooting his gun into a product, proclaiming his frustration about the firm had a YouTube film of a worker in Iraq shooting his gun into a product, proclaiming his frustration about

These are two examples of an internally focused culture taken to extremes, where focus on the procedures and policies—increasingly veering away from the very customers they are serving—became so overpowering that the raison d’être of the entire organization became lost in the shuffle. The Ethics PMO is created to ensure that at all costs does not translate into bringing down the firm as a whole (Enron), incurring huge fines (pick a new firm), or an embarrassing public revelation of predatory practices.

The Ethics PMO serves to review and oversee behavior of corporate entities and serves to define and enforce ethical behavior within those entities. A definition of ethics that includes a prescriptive establishment of business principles that serve to make a firm grow in a robust way via ethical means. In addition to the obvious components of creation and support of a robust ethical culture from the top down, ethical alignment means the following:

- Actively creating a culture of objective performance accountability at all levels of the organization, most particularly including the executive level, and supporting reasonable performance goals for employees who are not constantly pressured to bend the rules to keep their jobs.
- Open sharing of non-competitive data on the impacts of IT outsourcing to debunk the negative mythology (as research suggests) and deal with it up front by addressing it as a nation or as an industry.
Participation in a robust soft-landing investment program for loyal, long-term IT workers impacted by IT outsourcing, actively measuring the success of the program via their return to the workforce without losing income or longevity.

Promulgation of equal access to higher education across all income levels in the United States to support our competitive standing as a nation.

Key to the success of the Ethics PMO is placing it high enough in the organization—in other words, at peer level with other C-level officers. Fig. 6, from my book,[1] outlines a potential organization chart.

Early in the history of IT, the strategic value of IT investment was often marginalized by its frequent placement under a chief financial officer or a similar purely financial entity. While this was a workable structure for some firms, the placement was often problematic because the individuals who made decisions in IT investment tended to see IT as overhead.

Similarly, over time, the strategic investment in the reputation of a firm will prove to exceed the investment in an Ethics PMO. Unfortunately, like the firms of yesteryear that learned too late about investing strategically in IT, some firms have already sustained severe and long-lasting damage to their reputations that it will take many years to overcome.

It is the sincere wish of this author, echoing many loyal workers, that the commitment to firm growth will take a lesson from the ethical breaches of late of so many firms, and implement a robust methodology such as an Ethics PMO to ensure that their industry will not be either an active or a passive party to yet another wave of disappointing scandals and ruined economic livelihoods.

Micro: The Ethics of the Personal

Now that we have thoroughly canvassed the macro and molar (corporate) foundational ethical principles, we are finally ready to realistically turn to personal ethics, or microethics. On a personal level, as the above background makes clear, much of the challenge is how to navigate with integrity across a macro and molar landscape filled with ethical landmines.

The shifting of the workforce to incorporate legions of individuals around the world—primarily from India—into the United States has not been achieved without pain, and nowhere has this pain been greater than in the realm of the personal. Change is usually uncomfortable, but incorporating a multitude of individuals who speak another language into daily work life is certainly not the business process re-engineering (a catch-all phrase for doing business differently) of yesteryear. The sense of being invaded, of invisible borders crossed, a confusing,
vast sea of change, and the passing of an era is difficult to avoid.

At a lunch with my peers, two men in their professional prime who work successfully for one of the fastest growing, largest IT firms, the subject turned to the impact of personal economic uncertainty. One had lost a high-paying job without warning as a result of 9–11, and the resulting 12 months of unemployment devastated his savings, retirement, and family life and also left a permanent sense of instability and vulnerability that had been completely foreign to his prior work life. The second man was caught in the housing crisis by buying a second home before the first one sold. Supporting both homes drained his resources.

Both were worried about the impact of their credit ratings on upcoming travel. Would the corporate credit card cover the long trip to India? Would their history of credit catch up with them?

These conversations would have been unheard of in the 1980s, and the 1990s before the dot-com boom, when this same group of professionals would have competed to demonstrate how quickly they could build a private wine cellar or an equivalent luxury. There is a new austerity and sense of unassailable change that informs even the so-called survivors.

In a scenario of too-rapid, uncomfortable change and the consequent fears that may result, it is tempting to apply black and white thinking or to blame—and many individuals do so. The lines of loyalty may be drawn according to color, cultural affiliation, or even conceptual support of the offshore model.

Ethical considerations aside, the winds of change tend to blow many ways, and those who hold to a particular orthodoxy of any kind tend to be most vulnerable when the winds shift. The inexorable people movement caused by the pursuit of inexpensive labor is clearly here to stay, and the pragmatic adapt. Who is to say that an individual in India is less deserving of $29 per hour for the same work for which a U.S. employee receives $55 to $80 hourly? As group membership shifts and forms, a broader definition of those who belong (us) is naturally extended.

This new austerity demands a shift in the level of personal ethical sensitivity and sense of fair play. Blanket commitment to cost savings without taking into account the human impact is as historically short lived as the tulip market craze in 16th-century Holland. At its height, historians tell us, a large estate was traded for a handful of tulip bulbs (yes, a long history of market crazes preceded our booms and busts).

The principles of ethics suggest simply that what goes around comes around. One material example is our own President Obama, one of the many children whose families were denied insurance coverage, now grown up and focusing his power upon that national debate. Who can deny him the pain of losing his mother to the denial of benefits dealt by the kind of faceless insurance bureaucracy many fear and loathe?

The bottom line is that when masses are treated unfairly and humanity is missing from a culture that consistently favors financial priorities, eventually the wrong person—one who comes into a position of real power—is wronged. Then the embarrassing details inevitably come to light, and the damage is done. Like the individual who is caught cheating in a hotel room or the accountant who takes a little here and there for his own use, the likelihood is that all will be revealed.

Increasingly, a self-perpetuating corporate culture that openly acknowledges that a firm is driven by financials at the expense of loyalty or even the intangible concept of concerns about employees runs the risk of becoming the company that everyone loves to hate. The damage can be incalculable, lasting, and vast. Many United States financial institutions have lost their hard-won reputations as institutions of security, careful accounting, accountability, safety, and fidelity. The shifts in the public perception may take years (if ever) to undo. When popular websites cry boycott based on unethical or poor business practices, the damage is done and it is too late.

Part of the challenge, of course, is that it is difficult to create an actionable set of guidelines, given the complexities. Firms are primarily financial entities, bound by laws and commitments to return on shareholder investment and alignment with industry regulations, but are not necessarily bound by ethics. Yet these same firms consist of individuals who can create a powerfully positive or negative individual or collective environment that in turn can further or limit business opportunity based upon the elusive quality of character.

There is an opportunity, however, to define a set of high-level ethical guidelines that reflects the reality of the new austerity and the danger of deep collateral damage to a firm’s reputation. An initial set of these guidelines is outlined below and explores the impact of the promulgation of these principles. Each of these individual, microethical guidelines are explored below.

- Communications reflect the level of integrity that meets the level of austerity.
- Overt values are actively supported, not passively drawn.
- Prized values are maintained (or not maintained) bilaterally.
- The needs and consequent responsibilities of the individual are acknowledged within the whole.
- Raw abuse of power—defined as the suspension of the normal rules of business and ethics within that business—is perceived as damaging to the operations and ultimately the reputation in the broadest sense of the organization.
COMMUNICATIONS REFLECT THE LEVEL OF INTEGRITY THAT MEETS THE LEVEL OF AUSTERITY

The proverbial austerity test of being dropped in New York City’s Times Square with only a quarter to spend served as a kind of character-building exercise and is now perhaps all too real for some. Times Square is not the center of danger and crime it used to be, but the concept remains valid. Situations of financial extremes—when the relative difference of a small amount of money has huge implications—have become common. In today’s new austerity, the ethics of personal conduct must reflect that reality.

One of the characteristics of the new austerity is the wide impact of financial challenges across individuals for whom the idea of struggling is completely new. Friendships may now be tested on a completely different scale, like personal cataclysms such as divorce or grave illness. The effects on friendships that stand the test, for example, of even short-term unemployment, are often hard to predict and somewhat surprising, as those who have experienced personal cataclysm know. For the so-called lucky ones, determining where and how and even how much to give to the newly disenfranchised can be painful for all parties.

In a business context, this ethical principle means that all communications and actions are crafted with the care that constrained economic circumstances demand. The impact of a bad job review or any decision to cut costs in a way that affects workers financially may have a cascading impact on a long-term career—and a family—that is dramatic and lasting. While the unscrupulous may not allow these considerations to factor into these types of decisions, it is important in a discussion of ethics to recognize these factors and to hold ourselves to a higher standard of objectivity and personal honesty.

OVERT VALUES ARE ACTIVELY SUPPORTED, NOT PASSIVELY DRAWN

Speaking personally over a 25-year career, the firms that overtly address the issues of fairness and economic impact of career management within the corporate environment are few and far between.

One company that demonstrated awareness of the ethical implications of career management on a large scale was Digital Equipment Corporation (DEC), founded by Kenneth Olsen (more familiarly, KO). I was fortunate to work for KO’s DEC during the heady 1980s, when the 128 highway circling Boston was proudly labeled America’s High Tech Highway, and MIT and other universities around Boston fed such technology giants as Data General, Wang Computers, Raytheon, Lotus Notes Corporation, and many others.

A unique egalitarianism sensibility imbued the corporate culture at DEC. One way that the corporate culture was established at DEC was circulation of the sayings of KO. Stories circulated (probably deliberately) that served as guidelines for worker decisions. One well-known fact was that KO was one of the few Fortune 100 presidents who did not have a reserved parking space. KO walked the 10 minutes from the back of the large parking lot to the main building along with the rest of the workers.

When a computer line failed to sell, KO was said to have remarked, “Why should I fire a factory worker when some VP of marketing messed up?” KO set the tone from the top, creating a fierce loyalty that exists even today in DEC-related websites discussions and long-term relationships. Although I never had the privilege of meeting him, KO was the single most beloved leader of any firm I ever encountered. My tenure there was one of the only times I felt that ethics of compensation and the financial impact of career management decisions within a large firm was a sanctioned and even encouraged topic of conversation. I remember a certain pride of contribution that I don’t see often—a sense of believing a vision, and contributing to that vision that was heady and ultimately, very productive.

Although DEC was dismantled from inside the company in parts and pieces during the early 1990s technical downturn, and the DECies went elsewhere after what was a shattering and very quick fall from grace, the legacy remains in the incredible technical creativity which, somewhat sadly, contributed to many other firms’ profits for many years.

PRIZED VALUES ARE MAINTAINED (OR NOT MAINTAINED) BILATERALLY

Pro forma expectations of workers include loyalty and enthusiasm starting at interview, but firms often do not return that expectation and seem to go out of their way to demonstrate (despite individuals who may buck the trend, sometimes to their own peril) the opposite as a tough willingness to go the distance for shareholder value. Many of my earlier written contributions on this topic outline the view that the savings from offshore outsourcing more than allow for generous financial compensation to loyal displaced workers. In many business cultures, this is a quaint, naïve notion. But the corporate cultures that most often demand loyalty from workers are perhaps the first to fail to return that loyalty when the winds shift, and perceive their attitude as a pragmatic recognition of reality.

The cost of this so-called pragmatism may indeed be high. While few studies have been performed—almost
as if the topic is radioactive—no one who has been part of an extensive layoff can minimize the impact to the ensuing organizational culture, often for years to come.

Indeed, 74% of retained employees reported impacts on their job quality and performance after layoffs; 69% said the layoffs negatively impacted the quality of the product and/or services and 87% were less likely to recommend their company to potential workers. On average, a 10% reduction in workers resulted in only a 1.5% reduction in costs. A study based upon 2.5 million surveys over a 10-year period found that firms in which employee morale is high outperform their competitors. The same study compared morale and share prices for 20 companies employing almost 1 million people. Share prices for companies with high morale increased an average of 16% as compared to their industry average of 6%. Low-morale company’s share values increased only 3%. Finally, the stress induced by layoffs is long term. A stress study among managers found that they reported heightened stress symptoms as long as 3 years after layoffs.

The bottom line is that visionary leaders such as Ken Olsen understood that employees mirror to the customer what the company reflects to them—an immediate demonstration of “what goes around, comes around.” As consumers, we know the difference between passive compliance and enthusiastic excellence in products and services. Creation of a corporate culture in which loyalty, excellence, and deep commitment to quality are nourished is a delicate process that includes the challenging components of team building and visionary leadership. To expect loyalty, excellence, and commitment not to go by the wayside without a mutual commitment to positive values and employee team welfare is unrealistic.

The Needs and Consequent Responsibilities of the Individual Are Acknowledged within the Whole.

There is a limit to group think. The price we pay for absolute obedience to a vociferous leader, no matter how charismatic, represents a failure to think outside the existing worldview needs as radical overhaul. As an example, today’s marketing leadership requires a fluency with social networking and alternative media that wasn’t even on the horizon 10 years ago. Tomorrow’s winning business strategy and framework are just as elusive and hard to predict. The corporate maverick, the visionary who quite doesn’t see the world the same way and thus brings fresh thinking and vision still has a place. The larger a firm, the more difficult it may be to find places for these key individuals. It is a paradoxical truth of many large U.S.-based firms that individual performance accountability becomes more difficult to track as the firms grow larger.

Often within large matrix organizations different disciplines develop competitive relationships. It is not uncommon for very large departments to act as firms in and of themselves due to their size and a corporate structure that does not share leadership below the operational management layer. This means that different groups are required to work together within that management matrix but do not share the same views, values, priorities, and measures of job performance. Credit for a job well done is based on strength of personality rather than objective contribution.

The stress of working in these constantly jockeying work cultures may cause the maverick voice to fall silent. The value of the individual—the encouragement of the new even as it may obliterate the tried and true—requires a delicate balance. It is clear no organization can survive for long without that elusive factor. From an ethical perspective, the firm must support the lone voice, even if it means an unknown in the balance of power as business processes shift and merge to incorporate the new vision.

Raw Abuse of Power—Defined As the Suspension of the Normal Rules of Business and Ethics within That Business—Is Perceived as Damaging to the Operations and Ultimately the Reputation in the Broadest Sense of the Organization

Raw abuse of power is defined as the suspension of the normal rules of business and ethics that serve as a kind of the ethical equivalent of the Generally Accepted Accounting Principles (GAAPs). While these abuses have probably been around since the first company was established, it is a sad fact in modern corporate life that we are now in a period in which power abuses are parts of our daily culture.

A TV commercial for a large institution with a highly compromised public image related how the firm helps individuals and businesses. No commercial can aid a firm known for cheating and unfair business practice. Without honesty as a foundation, no individual ethical guidelines have any meaning. My personal reaction to that commercial was, “Oh, really!?"

In an interesting historical snapshot that produced a broad impact on the world and popular U.S. culture, President Truman brought the heads of the Hollywood film studios to visit the concentration camps in Germany immediately after World War II. Most of the films they took of the camps were considered too graphic and never shown. The experience must have been truly awful and awe-filled for the majority of the studio heads possessing Jewish origins.

Truman also had many military officers underwrite the new constitutions of Europe that were carefully structured to prevent the hunger and poverty created in
In Sum: The Ethics of the Macro, Molar (Corporate), and Micro (Personal)

Debunking the Macrolevel mythology, we found that despite popular opinion, it is not IT outsourcing that research shows is responsible for our economic downturn, but the dramatic, ever-increasing, and highly exaggerated tendency of income and wealth to be concentrated in the hands of fewer and fewer Americans. This means that the United States will not be able to produce the knowledge workers we need to thrive, as less and less of the population is able to afford access to higher education.

Within the molar or corporate ethical context, we explored the importance of establishing an Ethics PMO[1] empowered to enforce a more realistic and balanced implementation of profit “at any cost.”

Finally, we explored microethics or ethics of the personal. It is the hope of this author that every individual within IT utilizes his or her individual power for the common ethical good. Please join the conversation at http://www.ethicsinit.com!

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