ETHICS IN **IT** OUTSOURCING

TANDY GOLD

CRC Press
Taylor & Francis Group
Boca Raton London New York

CRC Press is an imprint of the
Taylor & Francis Group, an **informa** business
AN AUERBACH BOOK

CRC Press
Taylor & Francis Group
6000 Broken Sound Parkway NW, Suite 300
Boca Raton, FL 33487-2742

Printed in the United States of America on acid-free paper
Version Date: 20120313

International Standard Book Number: 978-1-4398-5062-6 (Hardback)

Library of Congress Cataloging-in-Publication Data

Gold, Tandy.
Ethics in IT outsourcing / Tandy Gold.
p. cm. -- (Applied software engineering)
Includes bibliographical references and index.
ISBN 978-1-4398-5062-6 (hardback)
1. Information technology--Contracting out--Moral and ethical aspects. 2. Electronic data processing departments--Contracting out--Moral and ethical aspects. 3. Business ethics. 4. Engineering ethics. I. Title.

HD30.2.G636 2012
174'.4--dc23 2012005280

Visit the Taylor & Francis Web site at
http://www.taylorandfrancis.com

and the CRC Press Web site at
http://www.crcpress.com

Chapter 1

Overview of Ethics in IT Outsourcing: An Oxymoron?

1.1 Building a Framework for Ethical Discussion

1.1.1 The Macro View: Follow the Money

The Supreme Court of the United States prevents a vote count for a Presidential election, and the federal government spends billions of taxpayer dollars propping up financial institutions that respond to this largess with higher consumer fees and even higher executive bonus pay-outs. Within such a cultural environment, do we beg the question of ethics, or does it simply become naïve?

Before we construct a model of IT outsourcing ethics during such challenging times, it may be instructive to first look at the seat of the law. Governmental law represents the ultimate source of recourse for the most blatant of ethical violations. Yet, as any historian knows, the history of United States government is not exactly an innocent one. In May 1856, while sitting at his desk at the senate, Massachusetts Senator Charles Sumner, an outspoken civil rights activist, was beaten by cane until bloody by Representative Preston Brooks, who returned to a hero's welcome in his home state of South Carolina. And on March 1, 1954, four Puerto Rican nationalists used automatic pistols to shoot 30 rounds from the visitor's balcony into the House of Representatives during a debate over an immigration bill. President Andrew Jackson, the force behind the death march of 1838–1839 in which 15,000 Cherokees were forced to leave their land and homes, ignored the Supreme Court ruling in *Worcester v. Georgia* (1832) that found that they could not be forcibly moved. President Jackson himself survived an attempt on his life when two point-blank pistols held by his would-be assassin misfired.

Today, many U.S. institutions appear to have violated the very positions of trust and power originally intended by their authority, including governmental, religious, and not the least, business entities. This is the backdrop in which the question of ethics in IT outsourcing must be grounded. IT outsourcing is just one of many ethical conundrums that generate great emotion, debate, and concern about fairness and equity in a world of the shrinking middle class and scarcity of well-paying jobs.

Oddly enough, the current environment of increasingly overt ethical violations occurs within the context of a U.S. business culture that demands, as a prerequisite for a meaningful professional career, a carefully nurtured public persona based upon a highly specific code of professional ethical conduct. This conduct is most often expressed in terms of building and documenting a professional reputation that reflects extreme loyalty and accountability in the form of achievement of objective job-related results. Within large IT corporate divisions, demonstration of the ability to execute within a complex organization and technical environment in a way that demonstrates personal integrity—in the form of dedicated, against-the-odds commitment to delivery of promised business results—is one of the strongest determinants of professional advancement.

Perhaps this paradox is to be expected—taking pride in fair play while simultaneously—and selectively—rewarding those who compromise their ethics. The key will be to honor and acknowledge both aspects of our collective national split personality. Americans are one and the same the most generous of donors to Haiti and almost completely oblivious to the simultaneous suffering in the Congo. We are both the enthralled audience of the environmentally conscious best-selling movie *Avatar*, and the voters who look the other way as yet another species becomes extinct or irreplaceable habitat is irretrievably compromised, depriving our children and grandchildren of their precious legacy.

1.2 Outsourcing Fundamentals: The Egoless IT Manager

We begin by defining our terms with as much precision and clarity as possible.

IT outsourcing is defined as a business transformational process that enables savings from IT (information technology) jobs that are moved to countries external to the United States, or “offshore.” It is understood that, for the great majority of IT outsourcing programs, the outsourced jobs generally reside within large (Fortune 100 and above) firms. This is because the up-front transformational costs and transfer of knowledge generally (not always) make outsourcing a volume play. It is challenging for both the U.S.-based customer and the offshore outsourcing service provider to establish financial gains on relatively small numbers of outsourced IT positions. Small is generally defined as outsourcing fewer than 100 full-time equivalent (FTE) jobs at one time. This volume is for a variety of reasons, including program overhead costs that include the implementation of necessary updates in business processes, security management, communications, and IT methodology. These are some of the pre-requisites required for a successful shift to offshore outsourcing. The primary drivers behind IT outsourcing, within the context of this volume, are assumed to be about following the money. Immediate monetary savings from labor arbitrage is not the only driver behind outsourcing, but it is certainly one of the primary ones (Tandy Gold, Outsourcing Software Applications Offshore: Making it Work, CRC Press, 2004).

The analysis of offshore outsourcing in this earlier volume concludes that it is the strategic advantages of IT outsourcing that represent the true benefits over the long term. These benefits include widespread IT process formalization resulting in sustained competitive advantages that often outweigh the tactical cost savings—even as large as they are. It is unlikely that outsourcing as a discipline would have become a wide-spread phenomenon; however, without the simple fact that offshore IT workers receive roughly \$25 per hour in compensation, rather than the \$70 to \$90 per hour their U.S. equivalents generally command. Note, however, that not all IT roles are good candidates for offshore outsourcing.

How widespread is offshore outsourcing? Note that *roles* as referenced herein are not equivalent to IT jobs. It is not uncommon for one U.S. IT worker to perform a variety of roles in a given job. For example, an individual's job may incorporate the roles of IT programmer, tester, quality assurance, maintenance programmer, and technical mentor. Large U.S. firms—again, the only ones large enough to offshore jobs because of the volume required to make it profitable as an IT delivery model—rarely offshore more than 10% of their IT organizations. This is for a variety of reasons including security and the need for certain roles to function near U.S.-based end users. In a given firm with an IT workforce of 1000, roughly 100 individuals will often work offshore. This is called the co-sourcing model. Co-sourcing refers to an offshore staffing model in which tactical roles such as programming are moved offshore, and strategic and customer facing roles remain onshore. The upshot of all of these factors is that the overall economic impact of off shoring jobs is often described as minimal by economists in their review of broad indicators. Offshore outsourcing has yet to be defined as a definitive contributor to current or past financial downturns. Later in this volume we will review research that, together with public opinion and popular newspapers, appear to contradict these findings. The inconclusive nature of the macroeconomic data is one of many gray areas related to an investigation of offshore outsourcing. Clearly there is no lack of thorny ethical questions that arising from the analyzing the offshore model.

Given this backdrop, what is generally the focus of IT ethics today? If you were to stop a Fortune 100 employee and ask about business ethics, how would he or she respond?

- First, business ethics in a large company environment generally comes under the heading of compliance. Corporate ethics frequently focuses upon addressing illegalities relative to discrimination based upon sex, ethnicity, sexual orientation, religion, or other personal factors. Examples of codes of compliance are the rules of accounting, hiring policies, tax regulations, and corporate by-laws.
- Second, corporate value statements reference the goals of integrity, honesty, and similar principles. These are of limited practical value if they are not modeled seriously by the firm's executive leadership. Enron probably had a robust corporate value statement. Enough said.
- Third, ethics refers to voluntary corporate ethical participation in programs such as Green IT, by which a firm's negative environmental impact or "footprint" is minimized.
- Finally, business ethics commonly refers to the active support of worthy causes and charities, along with similar measures of positive corporate citizenship.

These are all worthy expressions of business ethics. For the topic at hand, however, with a special focus on ethics in IT outsourcing, they may serve as means of confusion, or worse, of deliberate obfuscation.

1.3 Ethical Hypotheses: Guideposts on the Investigative Journey

As we start our journey, let's begin by establishing some hypotheses to test as guideposts along the way.

Hypothesis 1 — Discussions of ethics are rarely clear cut and straightforward, reflecting our national inconsistencies. All dialogue takes place within the context of subtle, varying shades of gray.

We start our investigation with the realization that we ultimately may end up with more questions than answers, and that the answers we uncover may be somewhat less than definitive. Identifying cause and effect for macroeconomics has never been without debate, and is often laden with rhetoric supporting a specific viewpoint. In Chapter 6, we explore the macroeconomic environment further, and create an ethical framework for IT outsourcing at the level of the broad economy.

Hypothesis 2 — The central ethical issue in IT outsourcing at a macro level is the transfer of corporate labor dollars overseas and the resulting disenfranchisement of U.S.-based workers who are economically impacted through job losses.

As any member of large business in corporate America knows, ethical considerations usually stop short of the dollar. The same company that raises fees 30% without warning, understanding completely that this will negatively affect their poorest, most desperate customers, may see this new business policy as purely financial—the normal course of business undertaken for the benefit of stockholders and employees. This same firm may hold itself proudly as completely ethical because, during the same time period, it launched a Green energy program, issued a new corporate value statement, remained completely in compliance with all human resources laws and regulations, and even contributed millions of dollars to a favorite charity.

How does one apply ethical values as an individual within a corporate environment (the micro level of ethical inquiry)? This can be a challenging question. Even with the broad shades of gray we are painting here, bringing in personal principles relating to ethics gets uncomfortably close to religious beliefs that represent discriminatory compliance factors protected by law in the workplace. Yet ethical principles that are not applied on a personal level are devoid of true expression and power.

When I attended graduate school for Computer Information Systems, I was taught about a principle called the "egoless programmer." It was understood that a programmer, as the author of computer code, could choose to deliberately confuse his or her IT peers in a misguided attempt to become more important. A programmer could achieve this by writing such poorly written and complex code that he or she literally became the only person who could understand and maintain it. In my many years of consulting at large firms, this scenario is not far-fetched. Literally every large company I worked with retains some portion of program code that is untouchable because it could break and cannot be fixed. The original author's are long gone, and updating the code represents too much of a risk.

The egoless worker is a valid concept as applied to business in general. Within this framework, the egoless IT worker utilizes their power and authority in the workplace to align with the business goals at hand, in the broadest sense, rather than sacrifice those for self aggrandizement.

Despite its apparent simplicity, the egoless worker can be a relatively subtle concept. For example, for those who cannot tolerate even positive change, displaying aversion to new concepts and ideas may be a not-so-subtle way of ensuring the status quo prevails.

Hypothesis 3 — Egoless decision making is an effective ethical framework at the personal or micro level of ethics.

In Chapter 5, we explore micro ethics further and create a personal decision-making ethical framework as it relates to IT outsourcing.

1.4 The Internet: A New Level of Personal and Public Transparency

A discussion of ethics would not be complete without the latest, rather unexpected, ethical equalizer and enforcer—the omnipresent, and at times seemingly omniscient, Internet. A growing public awareness, fueled by the rapid spread of on-line information such as social networking sites, makes it harder and harder for any individual or firm to hide much of anything. Within today's rapid spread of information, it is not uncommon for the viewers of the latest video post of a high school locker room incident to have actual visual experience of the event prior to formal notification of school authorities.

The moral seems to be that somewhere, somehow, the secret will out. Perhaps later rather than sooner, perhaps incompletely rather than with clarity, the isolated facts come together to paint the picture.

What we have not come to terms with as an individual, business community or society is how profoundly the Internet holds us all to a higher level of accountability. The vague knowledge of racial profiling is not equivalent to a video of a policeman wielding a club on an un-armed African American. The former may be tolerated, the latter reviled, and the individuals involved face the specific consequences of their actions in new ways.

We are learning to conduct ourselves within the context of this greater accountability. It has not quite penetrated the national consciousness and understanding that wherever we are there is more than likely also a camera, a program that can access our email, or another program that provides an electronic or paper trail of our spending and therefore our physical whereabouts. As we increasingly understand that even our biology leaves a DNA trail that can be utilized to redress the innocent, our large businesses are increasingly subject to a kind of scrutiny, skepticism, and accountability that moves well beyond such standards as Generally Accepted Accounting Principles (GAAP).

The level of corporate as well as personal ethical accountability has been upped tremendously by that technological innovation called the Internet. The corporate watch word- "don't write anything in email that you would not want printed in a newspaper," is now replaced with "don't do anything in public that you would not want videotaped and distributed on the internet."

Hypothesis 4 — in our maniacally plugged-in, video-gone-wild world, the truth will out.

1.4.1 The New Level of Internet Fueled Transparency Reveals the Ethical Underpinnings of Business

Associated with this widespread ethical transparency is a frequent question—one that corporations find themselves ill-equipped to address. At what cost do we support a particular profit? Who benefits and who pays? Do we profit at the cost of the environment, of an endangered species, of world climate changes, of anguish and poverty, and if so, how are those costs measured? Is a company that knowingly polluted and made sick an entire town accountable? If so, how can this be repaid?

This is where the new power of accountability and an associated level of new moral standards begin to appear. In the movie *Capitalism: A Love Story,* noted whistleblower Michael Moore shows a family being evicted from a four-generation farm by a bank. There is a knock on the door, there are tears. A retirement-aged worker says, "I could make the payments at $ 1700, but not at $ 2700." We see a $1,000 check from the bank to the family—the pay-off to vacate the home in good condition—and the ultimate insult. "What we are witnessing" says Mr. Moore in a voice-over "is a robbery."

When salt-of-the-earth, hard-working people are victims of upstanding businesses out to earn an "honest profit" within the bounds of the legal system and are treated with gross unfairness for all to witness, what is the impact? Is there another level of accountability?

Hypothesis 5 — whether large firms (and the individuals who represent them) are prepared or not, the general public will judge them within a broader sense of ethics, not the narrow sense of profit motive. The Internet brings to our homes the emotional impact of these business models. The results are seen, felt, and heard—no longer a faceless statistic on a spreadsheet.

1.5 The Molar (Corporate) View: Worker as Expense Precludes Effective Pro-Active Resource Management and Development

Offshore outsourcing brings with it a perception of ethical concerns and visibility regarding management and worker relationships, fairness, and equity. It is not a stretch to say that the structure of today's very large firm is not optimized to deal with the ethical shades of gray that more and more frequently arise regarding various business models and practices. What is the background canvas upon which these relationships occur? While we live in a democracy, the daily work experience of a typical U.S. worker is more akin to life in a monarchy or perhaps an oligarchy. Most workers report to one or more absolute authorities in the form of their direct manager.

The manager's authority, according to job-related social networking sites and documented research, is often experienced as arbitrary, capricious, and changeable. (Dr. Stephen Hartman, School of Management, New York Institute of Technology's summarization of organizational behavior theory can be found at http://iris.nyit.edu/~shartman/mba0299/120_0299.htm). Worker performance management processes rarely emphasize coaching or ongoing dialogue to maximize worker productivity. More frequently the performance evaluation process represents an after-the-fact accounting and rating that is tied directly to bonuses or raises. It is not unusual for a management team to receive a great deal of pressure to limit severely the number of top-rated employees. Managers are often forced to fit their employee assessments into predefined percentages driven by budgetary requirements. For example, each manager is allowed no more than 10% top rated workers, no more than 15% above average, and so on.

The view of employee performance as static leads to the ultimate cost—the need for an employee to leave a firm altogether to obtain real opportunities for growth. For many workers, this is the only option to overcome the personal rut created by corporate inertia.

Much of this can be traced to the real motivating structure behind employee behavior (other than an individual's desire to do good work for its own sake). This is the set of formal measured goals that constitute the basis of—job performance appraisal. Very, very rarely does a corporate reward structure motivate managers to develop their employees beyond their current roles.

Executive teams are constantly pressured to cut operating costs, and employees tend to be viewed primarily as expenses to be minimized. As market competition and pressures increase, employee labor expense is less about maximizing return on investment and more about generating more work from less. Employees are viewed as a commodity, and the goal is simply to obtain the maximum work-load via whatever is necessary—longer work hours, higher productivity, and, of course, labor arbitrage via offshore outsourcing.

Given that most large firms lack sufficient IT resources to perform the required work in most large firms, the emphasis is rather on keeping the direct team close and focusing them on the tactical work at hand in a kind of endlessly cycling mad rush. While, of course, at some level this is what workers are there to do, there is a cost to the organization for keeping employee contributions relatively static year after year, focusing on one hurdle after another without any kind of longer term view.

The corporate opportunity cost of minimizing employee development is extremely high. As employees are forced to leave to achieve growth, their knowledge and experience also walk out the door. Although the cost of hiring and on-boarding of resources is frequently documented—the classic human resources concept—the actual policies and procedures relating to employee development do not generally reflect those realities, As a result, it is the next firm that benefits from the years of experience garnered by the departing employee. One of the strange cultural quirks of U.S. corporate life is that the annual budget, strategic management and prioritization of capital equipment—now often a fraction of the firm's employee and human resources expenditure—still gets the lion share of executive focus. Until the performance measures of management teams incent employee resource development as much as tracking and monitoring IT projects, the draconian disconnect between the real cost of people management and the business processes behind them will continue.

Some firms overtly use fear to manage workers, believing in the stick rather than the carrot. Unfortunately, IT workers in such situations tend to pass their disillusionment into their work, their relationships with clients, or both. It is difficult for anyone to maintain a loyal, caring, and focused professional presence when feeling threatened or minimized daily on the job.

The very structure of large firms presents challenges. The tendency to view employees through the narrow lens of expense management leads to mismatched employee management processes and policies, and the general employee hoarding that is part of a business culture that is chronically understaffed. Large corporate silos tend to exacerbate this unrealistic, tactical view of personnel.

A group of 60 IT workers in one department that does not have the opportunity to significantly develop their skills over time may be viewed as an unfortunate tactical necessity—especially if they are succeeding in their project delivery. Multiply that same group by a dozen divisions, and suddenly the existence of 720 IT professionals who are unable to grow and develop represents a huge missed opportunity of strategic significance.

Not very long ago, business intelligence—the ability to understand and respond to customers' needs and preferences through data analysis—represented the hottest growth trend and strategic opportunity in information technology. Those companies that invested in business intelligence technology were able to grow and blossom. Other firms who did not make that investment were swallowed whole.

Workforce development may well be the next strategic imperative. As large numbers of baby boomers retire and specialized IT skills become more difficult to obtain, the U.S. may indeed experience what is hard to conceptualize with the high unemployment rates of late: a shift from an employer to an employee driven market for highly skilled workers. That this shift is occurring within a framework of high unemployment does not lessen the challenge of finding replacements for those leaving highly skilled roles.

In Chapter 2, we look at high level workforce trends and the necessity of mutual commitment to ethical conduct by both IT workers and their employers.

Hypothesis 6 — Strategic workforce development (aligning skills development with market needs, opportunity, and global availability) may become the next strategic IT imperative. Firms that master the concept thrive; those that don't, die. In short, strategic workforce development is one of the key competencies to invest in via funding from offshore largess.

1.6 Change Management: A Limited Framework for Enabling Ethical Change

If the de facto human resource departmental focus on legal compliance ignores the true cost of resource management by enabling static, tactical management of IT and other workers, it is also true that most large firms come closest to addressing the ethical issues of IT outsourcing via the discipline of change management. The limitations of change management illustrate the gaps in addressing ethical issues within a broad organizational context.

Change management is often tapped to help implement strategic initiatives, such as offshore outsourcing, that require an emotional as well as business journey. Most businesses work hard to focus on the objective components of work, but initiating outsourcing often means ignoring the emotional component at the peril of program success.

Actively embracing change is not a typical human reaction, and change management programs focus on addressing that reality. Many change management programs include such activities as stakeholder analysis; establishing internal change agents; defining targeted and tailored communications, and similar components designed to overtly support change as it relates to individual acceptance.

Offshore outsourcing is not a comfortable implementation for most IT organizations. Newspapers sell papers by presenting a "sky is falling" scenario with little context for the natural limitations of the program, and emotions tend to run extremely high due to the uncertainty such programs generate. If clear and honest communication is not emphasized through change management or similar programs, it is not uncommon to lose top performers and a great deal of valuable knowledge in the process of launching the initial offshore program.

The foundation of most change management methodologies is based upon stakeholder analysis. The goal is to help stakeholders achieve alignment with the change by identifying the benefits of change within their particular set of responsibilities, but offshore outsourcing may present little in the way of immediate benefit to IT workers within the scope of their particular roles or job. What is most difficult for IT workers is the apparent loss of long-term, productive, business relationships that served as the bases for successful achievement in their work, sometimes years in development. It is difficult not to see these changes as a loss of control. It is not unusual for an employee's major role to move from directly doing work to supervising others doing the same work. The new resources responsible are remotely located and are from a different culture, In "high touch" business cultures where the team member is located down the next corridor or floor, it is big jump to be relegated to phone calls to faceless groups half a world away.

The pressures to deliver (and measures of performance) remain the same, but the level of formality in documenting work roles, responsibilities, status, and execution must be increased across the board. The unwritten rules of work delivery—most business processes are chock-full of them—become obsolete as the shared time zones across the team may be only a few hours per day, so even direct phone communication is time limited.

Often there is little recognition of these significant skill requirement shifts at the ground operational level, and IT workers may just show up one day with completely different roles. They are suddenly supervising, mentoring, and coaching others without the benefit of additional training or skills development in these areas.

Those who have natural faculties make the shift, but others have difficulty learning these skills without formal support, and many are unable to adjust.

If executed correctly, change management can be of tremendous help. The discipline generally incorporates a communication plan that, hopefully, includes a strategic vision of staffing that delineates how additional offshore program financial returns will be invested in the firm to make it stronger. The areas of growth for U.S.-based roles onshore include IT strategy, program and project management. Shifting the focus from tactical savings from labor arbitrage to the strategic opportunity the financial returns present enables loyal IT workers to envision a future in which they can—ironically—finally find opportunities to grow their skills to benefit the organization.

Under the broad heading of change management, which ideally encompasses comprehensive communications and training along with business and technical process assessment and re-engineering, diverse silos within the organization can consolidate and align. This realignments may create even more significant strategic savings in the long term.

One aspect of these savings, for example, relates to the potential for centralized management for multiple independent IT contractors. Prior to offshore outsourcing, it is not uncommon for each IT department, based on its own specific needs, to manage vendors on an individual basis, contract by contract. This means of course, lost opportunities for savings via economies of scale for onshore consultants, large on-boarding costs, and few opportunities for knowledge transfer when each individual contract ends.

Despite the many advantages of change management, with the potential to provide many strategic benefits by addressing broad issues of resistance to change, targeted communications, and business process re-engineering, the focus of the discipline remains limited. The primary focus of change management is upon making a transition to the new mode of execution. Change management as a discipline does not incorporate tools to evaluate how and where to balance the ethical implications of change. This book will hopefully provide a framework for discussion and analysis of these concerns.

Hypothesis 7 — Change management, while invaluable in navigating the challenging waters of successful offshore program initiation, is not an effective model to evaluate the ethical implications—if any—of the change in question.

1.7 Analytical Methodology of Ethics: Validation of Personal Observation

As it relates to profit-seeking entities with specific monetary commitments to shareholders, the concept of business ethics tends to be somewhat elastic. Several authors have explicitly stated that the corporation is not an ethical entity, as outlined in

Chapter 2. Are ethical considerations irrelevant? Is the role of the firm to bend to whatever ethical considerations that may accrue in the pursuit of profit for shareholders?

This book references three levels of inquiry into these questions. In Chapter 5, we look at the micro or ethical questions at the level of the individual. In Chapter 6, we consider the question of ethics on a molar level, relating to a corporation as whole. Finally, we discuss the macro or large scale ethics of economics in Chapter 7.

The methodology of inquiry will deeply tap into and validate the personal view. In the classic analytical book *Working,* Studs Terrell (1974, The New Press) published a series of interviews from workers across a wide variety of professions. In this fascinating study, one of the most memorable interview portraits was of a bricklayer who viewed his contribution as a noble art, and remembered with regret every brick that didn't quite meet his personal standards of artistic merit. What is clear from classics such as these is that personal anecdotes represent a valuable and perhaps the only means of exploring these questions.

Ethical decisions are ultimately acted upon at the personal level, and even as they relate to corporate decisions, they are by their very nature subjective. In this book, similar to the social analysis performed by Studs Terkel and other social scientists, the realm of personal experience is a valid component of the picture exploring ethics in offshore outsourcing.

Hypothesis 8 — Personal history, experience and observations are valid avenues for exploration in the realm of ethics and ethical conduct.

1.8 Historical and Academic Context: Is a Corporation a Moral Entity?

Now that we've thoroughly committed to an exploration of the subjective as part of this exercise, it will be helpful to provide a historical context. In this summary, I am indebted to the *Stanford Encyclopedia of Philosophy* (plato.stanford.edu) authored by Alexei Marcoux (reprinted with permission).

Business ethics is defined as the "applied ethics discipline that addresses the moral features of commercial activity" [1]. Marcoux makes the observation that the panoply of topics under this heading, from legal compliance to studies of beliefs and attitudes, varies so considerably in content that they "often seem to have little in common other than the conviction . . . that whatever each is pursuing *is* business ethics" [2].

Marcoux cites ancient texts that include moral guidelines for commercial activity, including the Code of Hammurabi (ca. 1700 B.C.), Aristotle's *Politics* (ca. 300 B.C.), the *Talmud*, and even the Ten Commandments. As an academic discipline, business ethics develops as a more robust topic of study in the 1960s. Ironically, today many of the endowed chairs of business ethics are founded in response to ethical breaches, as when John Shad gave Harvard $30 million to start a business ethics program in 1987 in response to an insider trading scandal. [3].

Recent literature (Tom Donaldson, Patricia Werhane) views business ethics as an answer to the primary question: "Is the corporation is a moral agent?" [4]. Peter French argues that corporations are indeed moral agents since they possess the needed ingredients or corporate internal decision structures (CID) for such a status. The CIDs are comprised of an organization chart outlining decision authority and rules, such as those in articles of incorporation or by-laws. These CIDs define whether a decision by that authority is a personal decision, or a corporate [5]. French believes that these structures create "moral agency" in the corporation via corporate actions, intentions, and aims.

Manual Velasquez (1983) disagrees with this conclusion, stating that "attributing moral agency to corporations opens the door to intuitively implausible concept that a corporation can be morally responsible for something no natural person connected with it is responsible for" [6].

A second area of inquiry under the broad topic of modern business ethics involves defining how and for whom a corporation is governed [6]. This question is posed as a means of providing an answer to the underlying question related to the following well-known article. This article, entitled "The Social Responsibility of Business Is to Increase Its Profits" by Milton Friedman, was published in the *New York Times Magazine* in 1970 and is one of the earliest contributions to recent business ethics debate.

Interestingly, Marcoux describes an emerging point of philosophical agreement that rests on the central perception of how many "exit opportunities" or alternative employment opportunities are available to workers—in other words, how robust the employment market is in general and as translated into alternative job opportunities [7]. One group conceptualizes workers as an interrelated group of contractors—the "firm-contract" analogy that likens workers to shareholders. The second views the firm as a political entity and the workers akin to citizens—analogous to stakeholders.

The firm-contract analogy emphasizes a wide array of alternative opportunities in a thriving employment market. The firm-state proponents emphasize the cost of exit opportunities to justify voice rights of workers (i.e., workers must be provided voices to stay satisfied and avoid the cost of early exits).

Marcoux observes that "the virtually exclusive focus on the large, publically traded corporation is . . . strange" [7]. He observes that the narrow view of this debate "leaves out those workers who don't have a viable exit choice even though disgruntled, and also ignores the disagreements among the ownership class."

The key underlying principles of the worker–manager relationship in the United States are the *at-will* and *just cause* [8]. Absent a specific overriding contract, the at-will employment terms governs the employment relationship as a default contract. Under an at-will arrangement, employment may be terminated by either party without notice, as long as the termination does not violate the law (racial discrimination, whistle-blower recrimination, etc.). Werhane (1985) argues that arbitrary dismissal, as sanctioned by at-will employment terms, in and of itself is disrespectful of an employee's personhood [9] and states that workers should be provided a good reason for termination.

Maitland (1989) and others cite the at-will doctrine as leading to stagnation. In Europe, the prevalence of mandatory just-cause employment rules is viewed by some as a "significant disincentive" to job creation and entrepreneurship. Stated another way, the harder it is to fire workers, it is also harder to hire [10]. Proponents of at-will employment advocate it as a direct means of providing a vibrant labor market that enables an equal voice in the corporate world.

Solomon and Hanson (1991) [11] distinguish three levels of business ethics that we will utilize and analyze in this book as applied to IT outsourcing. Examples of macro, molar, and micro ethical questions are illustrated in Table 1.1. In Chapter 2, we explore the current research on all three levels of ethical scope in detail.

1.9 Summary

Our first chapter outlines our method of inquiry and the questions we shall explore. Underlying these is a set of hypothesis that is reasonable and will begin the inquiry process, although it is anticipated the analysis of these initial questions will lead to the unexpected. Our eight hypotheses are summarized below:

1. Ethics discussions are conducted in shades of gray, never in absolutes.
2. Disenfranchisement of U.S. workers is the central ethical issue in IT outsourcing at the macroeconomic (macro) level.
3. Egoless decision making can be a guiding framework of personal business ethics.
4. The truth will out.
5. The U.S. public is aware of ethical violations by large firms, and judges accordingly.
6. Strategic global workforce planning and development is the next IT imperative—the key strategy to implement to remain competitive.
7. Change management as currently structured does not effectively address ethical questions.
8. Personal history and experience represent legitimate data points in exploring ethics.

Some of the questions we are left to explore are:

- Is business activity always ethical, no matter how questionable, because it is a means of defraying personal and community poverty?
- Does membership in a larger business landscape, by its very nature, require ethical compromises from all participants?

Table 1.1 Sample Ethical Questions Relating to Micro, Molar, and Macro Levels of Inquiry

Level	*Financial Equity*	*Transparency and Communication*	*Compliance*	*Business Model Fairness and Integrity*
Micro or individual	Are ethical and strict legal compliance practices followed in equity compensation (monetary recognition and rewards) of my team members?	Do communications to my team reflect transparency and honesty?	Is my team in compliance?	Can my team members feel good about their roles as individuals representing a fair model of the company's business?
Molar or corporate	Does the company conduct business (selling and buying) at fair market values?	Does the company communicate as honestly and transparently as possible in its role of corporate citizen and member of the community?	Is the company in compliance?	Does the company's business model reflect basic ethical principles as interpreted by persons of integrity?
Macro or business world	Are the normative business practices ethical?	Does the industry environment encourage open and honest communication?	Are the laws and regulations requiring compliance appropriate, updated to reflect advances in technology, and clear and well enforced?	Does the national industry advocate basic ethical precepts such as "first do no harm"?

- Is economic security a prerequisite for an ethical lifestyle? In other words, can one live ethically in desperate poverty?
- If one is rescued from desperate poverty by an ethically questionable business, is that business now ethical?

These are the rather subtle dilemmas this volume invites you to explore.

References

General: Tandy Gold, *Outsourcing Software Applications Offshore: Making it Work,* 2004, Boca Raton, FL: CRC Press.

[1] Alexei Marcoux, The Center for Ethics and Entrepreneurship, August 2011. www.ethicsandentrepreneurship.org

[2] Alexei Marcoux, *Business Ethics Gone Wrong: Individual Liberty, Free Markets and Peace*. The Cato Institute, August 2011 (originally published July 24, 2000). www.cato.org

[3] Mark Borkowski, Business Ethics???, *Toronto Free Press*, October 11, 2006. www.torontofreepress.com/

[4] David T. Risser, Collective Moral Responsibility, In *Internet Encyclopedia of Philosophy,* December 14, 2009. www.iep.utm.edu/colletci/

[5] Peter A. French, The Corporation as a Moral Person, *American Philosophical Quarterly*, 16 (3), 1979, 207–215. University of Illinois Press on behalf of North American Philosophical Publications. www.jstor.org/stable/20009760

[6] Manual Velasquez, Why Corporations are not Morally Responsible for Anything They Do, *Business and Professional Ethics Journal,* 2 (4), 1983. http://philpapers.org.rec.velaow

[7] Alexei Marcoux, Business Ethics. In *The Stanford Encyclopedia of Philosophy*, Zalta, Edward N., Ed., Fall 2008. http://plato.stanford.edu/archives/fall2008/entries/ethics-business/

[8] Anonymous. Employment at Will. In *The Free Dictionary by Farlex*, August 2011. http://legal-dictionary.thefreedictionary.com/Employment+at+will

[9] Patricia Hogue Werhane, *Persons, Rights, and Corporations*, 1985, New York: Prentice Hall.

[10] Anonymous. What they Don't Know Won't Hurt Them: Defending Employment-At-Will in Light of Findings that Employees Believe They Possess Just Cause Protection, *Berkeley Journal of Employment and Labor Law*, 23, Winter, 307, 2002. http://lawbrain.com/wiki/employment_at_will

[11] Robert C. Solomon and Kristine Hanson, *It's Good Business*, 1985, New York: Atheneum.

[12] George Bernard Shaw, *Major Barbara*, 1st World Library, 1st ed., Sept. 2004.

Appendix: Looking at Business Ethics through the Lens of Popular Culture and Literature

Perhaps literature can add clarity—or pose more questions—than the current, rather narrow published debate on business ethics. One of the more droll and entertaining commentaries was provided by the playwright George Bernard Shaw—himself no stranger to the struggles of making ends meet as the son of a lower-middle class clerk.

The play is *Major Barbara* [12], and it describes the homecoming of an estranged father to his now-grown children—two daughters, and a son. The long-absent father and breadwinner is the head of a munitions factory. One daughter and the titular character is an erudite, intelligent, and pious member of the Salvation Army; she is followed about by her intelligent and sweet fiancé. The son, a mama's boy, is astonished and disgusted to learn upon his father's return after many years that his comfortable childhood home has been financed by his father's munitions factory.

At the beginning of the play, the father arranges to trade visits with the daughter. He will visit her Salvation Army if she will return the favor and visit his munitions factory. On the day of the visit to the Salvation Army, Major Barbara is disillusioned when her supervisor is willing to take money from her wealthy, death-dealing father and considers the arrangement the equivalent of "selling her soul."

When his progeny visit the munitions factory, the father reveals an eden-like existence: beautiful homes, churches, schools, manicured lawns. He also relates to Barbara and her fiancé the firm's recent elation upon learning that its latest bomb killed twice as many as expected in a recent skirmish.

In the end, Major Barbara is restored to her faith by viewing the munitions factory as so many souls to save; her educated, gentle philosopher boyfriend wins the negotiations to inherit the running of the munitions factory, and the son declares himself "prodigiously proud" of the beautiful life his father created.

Some of the dialogue is very funny and very real. When the topic turns to personal beliefs and personal salvation, father states his beliefs defiantly: "There are two things necessary to salvation . . . money and gunpowder."

He is asked, "Is there any place . . . for honor, justice, truth, love, mercy, and so forth?" and answers, "Yes; they are the graces and luxuries of a rich, strong and safe life . . . I saved [Barbara's] soul from the seven deadly sins . . . Food, clothing, heat, rent, taxes, respectability, and children." He continues to explain how he never needs to "bully" a worker because each worker is bullied already by the worker hierarchy above him, each snubbing the next, resulting in a "colossal profit" for him.

Finally, the father describes his daughter's Salvation Army as a form of bribery: bread for souls. He holds to Major Barbara that saving the souls of his well-housed, well-fed employees is cleaner work.

What is fascinating about Shaw's juxtaposition of characters is how very blurry the lines demarcating the ethical and unethical are revealed. Almost no part of the ethical conundrum of business is left untouched.

- Is faith-based charity a form of coercion?
- Are the sacrifices of some, e.g., the deaths produced by the munitions factory, necessary for the economic welfare of others?

This volume invites you to explore these subtle issues.

Contents