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ETHICS FOR INFORMATION RESOURCE MANAGEMENT: THE ROLE OF OBJECTIVE ETHICAL STANDARDS IN DECISION-MAKING

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Abstract

While ethics research has gained prominence among the IS community, few have argued explicitly for an objective standard in ethical decision-making. This oversight has left many researchers using subjective standards or an amalgamation of ethic perspectives when analyzing decision-making in organizations. In this paper, we argue that an objective standard is critical to ethical research and that Objectivism, the philosophy discovered by Ayn Rand, provides the best such standard. This standard suggests a rethinking of IT business value and the role of ethics in the decision-making process. Research questions and propositions suggest further studies.

Keywords: Objectivism, ethics, meta-ethics, standards, decision-making, information resource management

Introduction

Information resource management (IRM) encompasses a vast spectrum of management, organizational, and information technology (IT) issues. IT managers, faced with fixing these issues, must make a multitude of decisions. There is one fundamental similarity among these decisions; each requires a value judgment about information resources with respect to an organization and with respect to the decision-maker. By value judgments, we mean that each of these areas require an evaluation and judgment about how an individual should act and what he or she should attempt to gain or keep. The concept “value”, when considering all common usages of the term and all common philosophic conceptions, is best defined as “that which one acts to gain or keep” (Rand 1964). This broad definition includes mundane market values, such as the value of computer and the value of a tasty meal, as well as deeply held spiritual values, such as the value of the ones we love and the value of highly efficient mind. In IRM, an equally broad range of value judgments must answer questions with regard to one’s own actions, with regard to other’s actions, and with regard to objects. For example, the decision develop and implement an ERP system entails judgments about oneself (should I lead this project or let another more experienced manager lead it), others (is our IT department capable of developing the system in a more effective manner than an outside company) and an object (will an ERP system be of value to our company). These questions are questions of value: both to the individual and to the organization. As such, they are questions of an ethical nature.

Ethics is the study of values and virtues. Specifically, it is the science of discovering and defining a code of values to guide ones actions in life (Rand 1964). Two sub-disciplines of ethics, business ethics and information ethics, apply to IRM. Business ethics is the science of discovering and defining a code of values to guide ones actions in a business organization. Business ethics addresses what and how a business acts with respect to its resources and environment. It directs the judgment about production and trade.

By extending Rand’s definition, we argue that information ethics is the science of discovering and defining a code of values to guide ones actions in the realm of information acquisition, processing, storing, and sharing as they occur within and between individuals and organizations. Studying information ethics is important not only because it addresses what information is of value and what actions are moral in acquiring information, but also because information technology typically exacerbates unethical behavior. For example, 100 years ago, thieves required physical contact with money in order to steal it. With information technology and the digitizing of monetary credits, thieves are no longer confined to local stashes of money. With the right knowledge and skills, they can now steal money from thousands of miles away by accessing bank information through various networks.

IRM sits at the convergence of business ethics and information ethics, where the actions of an organization require information resources. Because of this convergence, ethical issues acquire more complexity than either business ethics or information ethics alone leading to great difficulty in defining values within IRM based on an objective standard. This complexity has led to significant variations in the definitions for “IT business value” (Melville et al. 2004) and “IS business value” (Cronk et al. 1999). While researchers have compared various normative theories (Siponen et al. 2006), few recommend an ethical standard in which to make decisions, while some explicitly reject the use of a standard (Laudon 1995). By understanding why an objective standard for ethical judgments is necessary, IT managers can better develop and maintain information systems and better develop and maintain IT departments, while avoiding the loss or destruction of business values.

The purpose of this research is two-fold. First, it explains why Objectivism is the only useful method for ethical decision-making in IRM. This argument contrasts with philosophies that argue for standardless and subjective bases of ethics. Second, it proposes several research questions and proposals for research based on Objectivism’s unique ethical perspective. To the best of our knowledge, what little research that has explored Objectivist ethics has focused on normative issues, rather than meta-ethical issues. This research expands the knowledge domain for both IRM researchers by introducing a thorough discussion of standards and expands the knowledge domain for Objectivism by expanding on the role of ethics in business ethics and decision-making.

While IT managers need to be aware of both legal and ethical implications in their decisions, we limit the scope of this article to ethics. For the purposes of this paper, we treat ethical behavior and moral behavior as synonymous.

Ethical Standards

The role of ethics in judgment and decision-making stems from the nature of values and virtues. Implicit in the concept of value as defined by Rand is that some entity is involved, striving for some end that they can act to achieve. The determination of value requires some ethical standard in which to justify the decision. However, before we determine what ethical standard is best, we must answer why a standard is desirable.

According to the Oxford English dictionary, a standard is “something used as a measure, norm, or model in comparative evaluations.” In ethics, a standard provides a basis of comparison between two or more actions or between two or more objects. This standard includes rules and principles for deciding what falls within the ethical domain (meta-ethics) as well as rules and principles about what one should do (normative ethics). Why should there be a rule or principle for making ethical judgments? To answer this, let us first consider what would happen without a standard.

Without a standard, i.e. without any principle for value judgments, there can be no basis of comparison between actions or between objects. With no basis, all similarities and differences between actions are existentially of equal import. When decisions are made, nothing binds the decisions to a common principle. Each value judgment would lack a means for consistency, leading to judgments that could potentially contradict earlier judgments. These contradictions may lead an information resource manager to decide to lead an ERP implementation and not lead the implementation at the same time and in the same respect. There would be no means for deciding which judgment is correct. Logic and reason, as methods of judgment, could not be applied in a standardless environment. Without logic or reason, individuals making judgments are left to equate arbitrary wishes with moral duties. The consequences on one's life should be obvious. Complete confusion would result. This confusion would paralyze the individual's mind, inhibiting the ability to act. Even worse than confusion, an individual could judge certain actions good, when in fact, it is detrimental to one's highest values. A business run without standards would collapse into complete anarchy. Such is the nature of standardless judgments.

Applying standards to judgments provides consistency. It provides a basis for comparison between one action and another. Likewise, it provides a basis for comparison between one object and another. It provides the rules and principles for deciding what is and is not of value. However, having a standard is not enough. For any rule or principle to have any staying power, it must have some grounding. There must be some way of identifying *what* principles and *what* rules to use when making judgments. Without such grounding, the principles and rules become arbitrary as well. Instead of inconsistent arbitrary judgments, we would have arbitrary judgments consistently.

Grounding ethical standards requires objectivity. An objective standard in ethics is a standard based on facts. If a standard is left to the subjective desires of the decision-maker, how can the decision-maker decide which standards to accept versus which standards to reject? An individual could choose whatever standard they wanted. This however has the same problems as a standardless judgment. Arbitrary selection of a standard based on the subjective desires can lead to conflicts with reality. With these conflicts with reality, there is no method for deciding what to do. Right and wrong become indeterminate because the only referent is the subject.

Suppose an information resource manager adopts a developmental policy that every new system must be developed with internal employees. With this principle, the manager refuses to consider using outside consultants to help in the development of an ERP system. He studiously sends his employees to training to learn how to develop such a system and systematically evaluates the modules that his company will need. After months of effort and millions of dollars in training, the work has yet to begin. Competitors were able to find consultants that built their own ERP system quicker and cheaper, those giving them a competitive edge in operational efficiency. This manager, who subjectively picked a standard without

any firm foundation, cost his company serious market share. If the company does survive, it will be weakened by his actions.

To overcome this limitation, standards need to be based on the facts of reality. We are not arguing that normative conclusions can be deduced from non-normative premises, rather that normative conclusions can be induced from reality. This statement contrasts with David Hume's "is/ought" problem (1740), where he argues that values, or statements about what we ought to do, do not necessarily derive from facts, or statements about what is. Hume, however, left open the possibility that a solution to this fact-value gap is possible. An objective standard must overcome this gap. If we take into consideration the facts about human nature, we can discover what values are essential to our lives. Ignoring these facts will result in subjective moral pronouncements, leading to suboptimal judgments that may negate other values. Objectivity becomes necessary for moral judgment because without it, we are unable to know "how" to be moral.

Traditional ethical standards

Meta-ethics is the field that attempts to answer questions regarding why one should be moral and what is the proper standard for value judgments. It addresses questions such as what is "goodness" and why should we want to be good. Some major meta-ethical perspectives, such as rationalism, contractarianism, intuitionism, and intrinsic value, have laid the foundation for the various normative theories, such as utilitarianism, consequentialism, social Darwinism, deontology, and natural law theory. All of these normative theories can be derived (if not explicitly, then implicitly) from the more fundamental meta-ethical theories (Smith 2000). The problem is that these traditional meta-ethical theories do not provide an objective standard for ethical decision-making. They all, at the fundamental level, rely on arbitrary moral foundations (Smith 2000).

In Smith's critique of these meta-ethical theories (2000), she notes that the Intuitionist's claim that morals are self-evident disavows any method for determining what is of value. Without a method, it is impossible to trace how values came to be. At the root, Intuitionists depend on an arbitrary standard. With respect to Contractarianism, Smith notes that Contractarians claim that morals are based on our agreements to be moral (either explicit or implicit). However, Contractarians fail to provide a sufficient reason to be moral if it is not in one's self-interest to do so. Because of this, morality is based on arbitrary standards that vary from individual to individual. Smith further observes that the Rationalist's claim that one should be moral because rationality demands it, depends on a definition of rationality that divorces ends from means, severing the relationship between values and facts. Without facts, Rationalism is left with an arbitrary standard for determining moral goodness. Lastly, Smith observes that claims of Intrinsic value rest on a belief that value is located innately in objects. For this claim to be true, proponents of intrinsic value would have to show

evidence of how values are innate to objects. This they fail to do. Instead, they ultimately base their beliefs on subjective standards. A summary of Smith’s classifications is presented in table 1.

There is however one philosophy that does provide a compelling objective ethical standard. This philosophy is Objectivism, based on the writings of Ayn Rand. Philosophers Leonard Peikoff and Tara Smith have written extensively on Rand’s ethical theory, from which much of the discussion below stems (Peikoff 1991; Smith 2000). We review Objectivism’s basis below.

Table 1. Smith’s classification of major meta-ethical perspectives.		
Ethical perspective	Proponents	Standard
Objectivism	Ayn Rand, Leonard Peikoff, Tara Smith	Man’s life
Intuitionism	H.A. Prichard, D.W. Ross, John Rawls	Intuition leads to self-evident truths
Contractarianism	Thomas Hobbes, David Gauthier	Contracts with others limit our behavior
Rationalism	Immanuel Kant, Alan Gewirth	Rationality demands morality
Intrinsic value	Noah Lemos, G.E. Moore, Robert Nozick	Innate properties of objects define goodness

Objectivism

Objectivism’s case for an objective standard starts with the question “Why be moral?” It is only by answering this question that we can discover what morals we should adopt. According to Rand (1964), the answer to why we should be moral stems from what exactly a “value” is and how it relates to our nature as human beings.

As we define above, a value is “that which one acts to gain and/or keep” (Rand 1964, p. 16). Implicit in this definition is that there is someone or something doing the acting and that person or thing is striving to achieve some goal. If there are no goals or ends to reach, then there can be no values. To be classified as a value, an entity must act to gain it. This definition implies that values are important to plants and animals as well as to humans. As Peikoff notes, plants and animals must all strive to attain the necessities of life in order to become self-sustaining (1991). They must act and react to their environment in order to gain and/or keep things. Plants grow their roots deep in the soil to find water and grow their leaves high into the air to find sunlight. If other plants block the sunlight or a rock obstructs the roots, a plant must adapt

and act to gain the necessary water and sunlight it needs. In fact, all higher-order systems exhibit teleological behavior (Boulding 1956), implying the necessity of values.

“It is only the concept of life that makes the concept of value possible” (Rand 1964, p. 18). A rock does not have to act to achieve anything, nor does a table or a wire. They simply exist. Life on the other hand can go out of existence and is only maintained by self-generated, self-sustaining action (Rand 1964). Living things must act in specific ways, based on their nature, or they will die. Plants that cease performing photosynthesis die. Wolves that do not find shelter during a storm may be caught in a flood or suffer from a weakened immune system, potentially leading to death. For all living things, certain actions are necessary for survival.

Beyond mere survival, living things strive to flourish (Smith 2000). Barely staying alive, where continued existence is maintained by the slimmest of threads, a living thing will likely die at the first hardship or emergency that comes along. Rather, living things strive to maintain themselves in the best shape possible in order to persevere through the hard times. Living things, with limited energy and limited life spans, must focus their efforts on the most effective activities. Once basic needs are satisfied, living things should spend time and effort on higher-level needs. The more higher-level needs satisfied, the more fit an organism becomes and the better it can flourish in spite of the hard times. Any effort not directed at improving an organism’s ability to flourish is wasted effort which necessarily decreases that organism’s chance for survival. Not only are certain values necessary for one’s long-term survival, but anything but those values are detrimental to one’s long-term survival. This argument of value’s relation to life applies with equal force to human beings. Any actions that do not help a man’s long-term survival will hurt his long-term survival prospects.

Objectivism’s standard for value is one’s own life, based on the objective nature of humans in general. If one chooses to live, then ethics must play a rational self-interested role in guiding that individual’s life. In principle, Objectivism advocates egoism. The lives of others are not necessarily of value, except to the extent that those others help one’s own life. This, however, does not mean one’s own life should be promoted at the expense of another’s life. Again, an objective evaluation of reality reveals that an individual’s flourishing is best promoted by a society in which individual rights are respected. Justice requires respect for individual rights, where relations with others should be performed as traders, trading value for value. Objectivism rejects the idea that there is an inherent conflict of interest among men or that business is an inherent dog-eat-dog world. Rational individuals realize that the most successful business transactions are ones in which both parties gain from the trade.

It should be noted that egoism is not as isolated or as harsh as it may first seem. Egoists often find tremendous value in interacting with people and actively seek like-minded individuals with whom to trade and/or share experiences. They realize that their own happiness and own ability to flourish depend on these interactions. Nor does egoism mean that

any personal interest is acceptable. If a personal interest does not correspond with man's nature and facilitate flourishing, then it necessarily detracts from the ability to flourish and hence is unacceptable.

Criticisms

One common criticism of Objectivism's ethics is that it is not nearly as objective as it appears, that latent subjectivism is inherent in Rand's argument. This criticism questions the nature of optional values (Spohn 2004), such as choice of careers or choice of information systems. Smith (2000), in defending Rand's view, acknowledges that individuals must adopt values, but that the adoption is not subjective. With optional values objectivity remains if you consider these values in context. For example, while a large corporation may find an ERP system of value, a small mom-and-pop shop may not. Both the large corporation and the mom-and-pop shop must assess the optional value of an ERP system in context of the objective standard for organizational flourishing.

A second common criticism against Objectivism's ethics questions the self-interested, egoist nature of the ethical system. These attacks classify a self-interest, particularly in a business context, as at best amoral (Allinson 1998) and at worst immoral. Only with an element of self-sacrifice, they argue, is morality introduced. This argument for self-sacrifice, however, is ultimately based on the ethical foundations provided by Kant in which anything considered for personal gain is outside the realm of ethics. These foundations have been shown to be based on purely subjective standards (Smith 2000). As such, they do not provide solid grounds for dismissing self-interest as a basis for ethics.

Another criticism of Objectivism equates rational egoism with psychological egoism. In psychological egoism, individuals pursue values that they deem are in their own self-interest, regardless of whether or not it helps them to flourish. Psychological egoism refers to a subjective standard of judgment, describing individuals who act on any whim or arbitrary standard. This however, is the antithesis to Rand's argument. Rand advocates rational egoism, based on the standard of man's life and its requirements, not psychological egoism.

Discussion

By extending Rand's ethical theory to business, we identify that the life or death alternative starkly identifies the need for egoism in the business world. In modern society, individuals must make money in order to survive. With the money earned, they can trade in order to obtain food, shelter, and clothing. Lacking any one of these three things endangers their life. If they cannot create these items himself, they must trade what products or services they have to obtain the goods he desires. By organizing a system of production, businessmen create efficiencies that cannot be realized if every individual had to create their own items. These efficiencies allow the business to trade their goods to other

individuals at prices cheaper than if each individual had to create the good for themselves. From the efforts of

businessmen, efficiencies gained through organized production enabled increased standards of living the world over.

Businesses are, by design, value-adding organizations. Businesses are organizations systematically designed to create items of value by the production of goods and services. Just as the consumer is the ultimate beneficiary of a product, a business owner is the ultimate beneficiary of a successful business. Whether the owner is an entrepreneur who established a business or a shareholder who owns part of a larger corporation, they both realize that value is being created and wish to invest in hopes of making a profit. Not only does the customer experience a gain from the transaction, but the business owner does as well. They both see an increase in wealth, which leads to an increase in the ability to flourish.

For a business organization to remain of value to the owners, it must continue to make money over the long-term. The profits of a business help the owners increase their long-term survival by providing the owners with the capital to trade. As the profits of a business are passed on to the owners, the owners increase their capability for flourishing. Because the owner's long-term survival is partially dependent on the success of the business, the business should strive for long-term success as well. As the late Peter Drucker argued (1954), organizations overly concerned about short-term profits lose sight of the reality outside the business and are unable to adapt the organization to changing conditions. However, the business owners are the ultimate beneficiary of business success. Because businesses depend upon shareholders for financing and because shareholders are the ultimate beneficiary of business success, shareholder flourishing becomes the only objective standard for business value. A business decision is only of value if it increases shareholder flourishing over the long-term.

Information Ethics, IRM, and IT Business Value: Research questions and propositions

Question 1: How are information resources associated with an objective standard of value?

By applying Rand's ethical theory to information ethics, we find that information resources are objects to be judged in relation to their ability to satisfy an individual or organization's needs. An ERP system is of little value to an information resource manager if his company has three employees and revenue of only 200 thousand dollars. By matching the needs of the organization with the properties of the information resources, value is added to the organization by enabling improved decision-making capabilities. Melville et al.'s (2004) definition of IT business value is half-right in recognizing the relationship between IT and organizational performance. To complete the definition, IT business value needs to be tied to the standard for business success, shareholder flourishing.

To complete this tie, we observe that the flourishing of the organization can be promoted by the right information resources. As we argued above, the flourishing of the organization is only of value as a proxy to the flourishing of the owners. It is hard to imagine a business that is flourishing where the owners do not receive any benefits, and yet this

relationship is precisely what makes business success ethical. The relationship between information resources and an objective standard for value suggests that business success, facilitated by information resources, improve organizational performance leading to greater shareholder wealth.

Proposition 1: Information resources create value for the shareholders indirectly by enabling a business to achieve greater operational efficiencies and increased strategic effectiveness.

Question 2: How does an objective standard affect the information resource manager's decision-making process?

The traditional decision-making model lists four major steps: defining the problem, finding solutions, choosing among alternative solutions, and implementing the solution. It is in the first two steps, defining the problem and finding potential solutions, that Objectivism contributes to the discussion. While a full discussion of Objectivism's normative perspective is outside the scope of this article, we can gather from life as a standard that all individuals need to focus their efforts on promoting their own long-term viability. This life promoting focus acts as a self-regulatory motivation in achieving end-states (Higgins 1997). When recognizing that ones own end-state of flourishing is partially dependent on the success of the business (through continual employment, promotions, etc.), an information resource manager's decision to outsource the development and implementation of an ERP system may help to enhance the success of the organization by allowing it to focus its activities on what it does best. The primary focus for managers would be on creating value for the promotion of his own life, and subsequently for the business and the lives of the shareholders. This promotion focus would insure against errors of omission by strategic approach matches to desired end-states (values). An Objectivist would promote IT business values and strive to achieve as many values as possible.

A promotion self-regulatory focus contrasts with a prevention self-regulatory focus, where an individual tries to avoid mismatches to desired end-states and matches to undesired end-states. If the information resource manager adopted a prevention focus, his primary aim would be to avoid mismatches to desired end-states. While this may be a useful strategy in developing a security policy, it would be inappropriate in outsourcing relationships because fear would drive the manager to avoid any possible failure, bypassing outsourcing opportunities altogether to stick with the known success of in-house development.

Proposition 2A: Decision makers adopting an Objectivist perspective will use a promotional self-regulation focus when considering questions of IT business value.

In finding solutions to the problem, Objectivism highlights the role of using principles for selecting appropriate actions. Contrary to other ethical perspectives, Objectivism does not merely provide moral constraints, limiting possible

actions. Rather Objectivism proposes moral principles about what one should do. This advocacy for specific types of actions translates into avoidance of actions that do not promote oneself and one's business.

If ethics consisted of only moral constraints, it would not significantly help in selecting alternative actions. This is because most actions are considered acceptable. Only those with constraint should be avoided. This leads the decision-maker to calculate subject probability utilities for each possible action. The difficulty of this approach has been demonstrated by repeated violations of expected utility maximizing results (Tversky et al. 1974). Objectivism, by advocating a standard based on life, limits possible alternative solutions to just those that create or maintain value. This leads to fewer alternative solutions being considered in the choice phase of the decision-making process. While a cost and benefit analysis is utilized with this standard, it is only after the number of alternative solutions has been limited to actions of value to the organization.

Proposition 2B: Decision makers adopting an Objectivist perspective will evaluate fewer alternative solutions in the choice phase.

Conclusions

The benefits of applying Objectivism's ethical standard to decision-making in IRM could help organizations and managers achieve enduring success. Ethics plays an integral role in how organizations succeed, far more than traditionally attributed to it. In a world where IT facilitates or hinders goal-directed behavior, ethical decisions based on an objective standard are essential for business success. It is imperative that managers act in a way consistent with reality and make value judgments that use an objective standard based on human life. Without such, they and their organizations will lack the capabilities to flourish.

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