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**Software Piracy at Work Place:
Influence of Organizational Culture in the presence of various
Ethical Orientations**

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Abstract

Technology in terms of ‘information technology’ is a revolutionary discovery from time to time. On the similar note, one of the famous issues of IT is the *Software Piracy*, which has been the talk of the organizations every now and then. Software Piracy i.e. to avoid the illegal act of copying and stealing others information has always been a headache for organizations leading to billion dollars losses and no returns. This paper tracks the association of organizations’ ethical culture with its orientations and software piracy. It is understand the influence of ethical behavior of the organization on software piracy handling. The study revealed that there is a negative association between perceived organizational ethical culture and software piracy in organizations. In particular, organizational ethical culture significantly influences software piracy decisions for individual having ‘Exceptionist’ ethical orientation. Subsequently, there is no significant association between organizational ethical culture and software piracy for Subjectivists, Absolutists and Situationists.

Keywords: Software Piracy, Software Licensing, Ethical Orientations, Organizational Culture

1. Introduction

Software Piracy is the unlawful utilization of software by organizations and those for personal utility (Athey, 1994). This policy basically focuses on pirated use of softwares' such as contravening channels of business, internet breach and illegal access to software installation, which only for the purpose of individual machine (Belousov, 2004). The other forms, which are extensively used nowadays in piracy is illegal access on someone's server, selling pirated software, which is an illegal act. Use of renting software and mal use of business and academic software are all included in software piracy.

This extensive use of computer technology has its positive purposes but it has also given space to the illegality. Since a decade or more, the organizations are concerned about this issue as it is the part of their unit. The function of pirated software is the worst problem ever (Gopal and Sanders, 1997,1998). This problem is very much associated with ethical orientations of the organization and it is important for one to realize its importance and also to communicate to its low rank to high rank employees in the organization to avoid discrepancies and also to abide by the organization's policies.

2. Literature Review

2.1 Overview of Piracy

One of the renowned uses of computer technology, which has opened doors to the whole world with just a click, is the 'Internet'. Widely used in every part of the world and whatever imagined is just done in few seconds. It has given freedom of communication in every way. It has been found that on an average around 2 billion people of all ages use internet every day. It is way too easy to access internet. The cons of this wonderful technology are the copyright issue of software, hacking internet as internet is the medium extensively used for copying, distributing and accessing to software illegally. Scrutiny is critical with the perspective of software piracy. Internet software piracy refers to provide access, advertise, to provide downloading and uploading facility for pirated software over the internet. Internet piracy is not only doing the damages to software industry it is also threatening the music, movies and other copyrighted industries.

It has been estimated that in 2008, 35 million data accounts were violated in the United States alone (ITRC, 2009). There are many legislations already done in different countries to prevent illegitimate use of software through internet. However the implication of these laws varies from country to country depending upon the state of the enforcement of these laws and priority given to the software piracy issue by local government. Recently lawmakers in many countries have taken this issue seriously and issued charges against those who were involved in software piracy.

Despite the massive anti-piracy campaign from software manufacturer's alliances, antipiracy education and legislations, there is still a huge amount of revenue that is lost every year. On the other hand, besides the other factor, the rapid growth in PC market also giving a push to software piracy. The BSA Internet piracy report (2009) stated that approximately 40% of the software installed on the computers is illegal. Exactly a decade ago, in 1998 the revenue losses to the software industry were \$11 Billion (BSA, 1999). The monetary value of unlicensed software (losses) to the software dealers was \$53 billion (BSA, 2009). The use of illegal software has increased as the loss is 11% higher as compared to the studies conducted in 2007 (BSA, 2008).

Furthermore, the studies indicate that United States, Japan and Luxemburg are the top three economies having the lowest software piracy rates ranging from 20% to 21% while Georgia, Bangladesh and Moldova are the countries having highest more than 90% piracy rate (BSA, 2009). In Asia pacific, the overall software piracy rate is on higher side as compared to the other region of the world. According to the approximation by BSA the monetary value of unlicensed software is 16 billion

USD. Pakistan, being a significant contributor to the Asia Pacific technology market, it is ranked high in the piracy list. Having a significant 84%, software piracy in 2009, the monetary value hits up to 166 million USD for Pakistani Economy. In the downfall of the global economy in 2008, two additional factors were added to the software piracy phenomena: the variation in the exchange rates and down market of business and less consumer spending. The 2008 year, which was a major recession year adversely, affected the software industry in term of decline in number of software deployment as the outflow in overall technology road and rail network went off on a global level.

2.2 Focus of Software Piracy with Ethical Orientations

This research has a different perspective towards the software policy to the other studies done so far. There are studies on the phenomenon of piracy practiced in organizations by IT professionals for their organization. This kind of piracy practice is done solely for the purpose to avoid expenditure in the organizational IT infrastructure which ultimately results in higher profitability for organizations. Organizations have been pushed to a great extent to deploy technological infrastructure to remain competitive and profitable in the market. Every organization has a significant number of software/hardware installed in their offices. Therefore, to efficiently operate these advanced technologies, organizations hire trained and skilled IT professionals. These IT Professionals play a very crucial role in software piracy within the organization.

This investigation focuses on Small, Medium and Large Enterprises. Large enterprises normally evolves with the passage of time and they have a structured and state of the art IT infrastructure which is required to serve their large number of customer, hence they cannot afford the risk of being caught. Large enterprises also have enough resources to spend in the licensed and legal software. However, there are still chances that in large enterprises, software piracy is being practiced in smaller scale. The small and medium enterprises lack both the resources and structured infrastructure. There could be so many factors that influence the software piracy in these organizations but the role of IT professionals and the overall organizational culture may have a significant influence that lead to the software piracy. This research analyses that how IT professional's Ethical Orientation and organizational culture influence the software piracy in the organizations.

Now, analyzing the ethical trends, policies and procedures in an organization, certain models are derived for the ethical decision making (Akaah & Riordan, 1989). Consequently, the ethical culture of any organization is an important factor for ethical decision making in organizations. A firm's culture and ethical environment influence the individuals' moral development (Mintz & Morris, 2008). It was also evident that the ethical culture of an organization and the ethical behavior of the employees working has an association (Deshpande, 1996; Fritzsche, 2000; Wimbush & Shepard, 1994). Similarly, Hunt and Vitell (1986) and Trevino (1986) consider organizational principled culture as an important feature for ethical decision making in organizations. Kohlberg's developed a moral framework which focuses on how individuals consider about whether an issue is right or wrong (Kohlberg, 1981).

Ethical Orientation of IT professionals, working in an organization may have a direct influence on the ethical decision making. The culture is the main set in which all these actions and decisions are taken place. Therefore, the influencing factors for ethical decision making in organization directs to study two important variables: (1) The Ethical orientation of the Individual (2)The organizational ethical culture.

Studying the framework of ethical orientation in Table 1, on morality, there are two philosophical positions. The term 'absolutism' states that universally valid moral systems and principles exist. These principles are absolute in nature and applicable to everyone across the globe in its entirety. Therefore, an ethical absolutist holds the position that there is a single ethical truth or a group of ethical truths that do not depend upon the perspective, culture, or opinions of individuals or societies. In contrast to Absolutism, Relativism advocates that there is not one moral standard that covers all people at all times. It states that no absolute moral standard exist, hence, moral standards are relative to societies, cultures, social groups or even individuals.

Table 1: Absolutism and Relativism Positioning

| Cultural Relativism | Ethical Absolutism |
|--|--|
| - No universal set of ethical standards. | - A set of universally accepted and valid ethical standards. |
| - The ethical nature of an action can only be determined relative to the moral norms of the particular culture where the action takes place. | - The ethical nature of an action is independent of cultural settings. |

Ethical absolutism and relativism are two extreme standpoints of morality. It is more likely that an Individual holds a position somewhere in the middle of these extreme points. Forsyth's (1980) taxonomy of ethical ideologies stated that the possible ethical orientations of an individual may possess on the basis of absolutism and relativism positioning. Table 2 explains these ethical orientations on the basis of high and low pattern of absolutism and relativism.

An organization's ethical culture may have a significant influence on these ethical orientations, which are identified as Situationist, Absolutist, Subjectivist and Exceptionist, with respect to the ethical decision making in general and software piracy in particular. Therefore, it is viable to study the relationship between software piracy in organization and the organizational ethical culture for each ethical orientation.

Table 2. Taxonomy of ethical ideologies

| | High relativism | Low relativism |
|---------------|--|--|
| High Idealism | Situationist Reject moral rules; ask if the action yielded the best possible outcome in the given situation. | Absolutist Feel actions are moral provided they yield positive consequences through conformity to moral rules. |
| Low Idealism | Subjectivist Reject moral rules; base moral judgments on personal feelings about the action and the setting. | Exceptionist Feel conformity to moral rules is desirable, but exceptions to these rules are often permissible. |

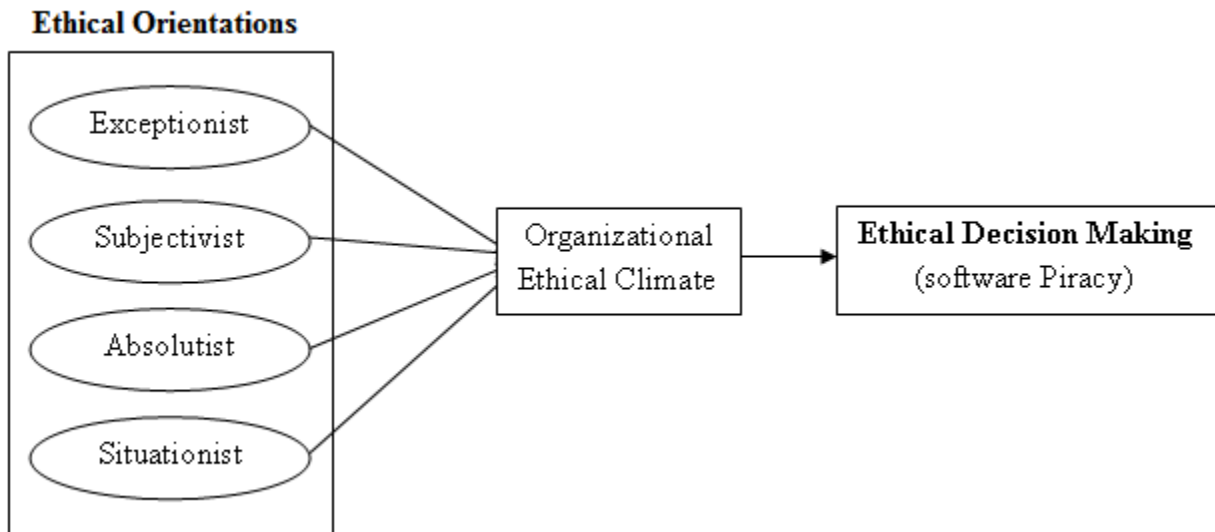
Adapted from Forsyth (1980, 1992).

The software piracy act is largely practiced in organizational capacity as well as the individual capacity. This study acts as a guide for Policy makers and the IT organizations in specific that are practicing ethical orientations and decision making helping minimize the organizational cost, safeguard the image and interests of the organization.

3. Research Model Framework

The following conceptual research model is developed to study the relationship between Organizational ethical climate and ethical decision making particularly related to software piracy.

Figure 1. Influence of Ethical Orientation



3.1 Hypotheses

The primal fact for investigation is the relationship between organizational ethical culture and corporate software piracy practices in the presence of various Professional's ethical judgment on ethical dilemmas. These ethical dilemmas are particularly related to different forms of software piracy. To examine the above-stated relationship for each ethical orientation, the four Hypotheses are developed to interrogate the proposition of this paper:

- H₁:** There is an effect of Organizational Ethical Culture on Corporate Software Piracy practices while the IT Professional's Ethical Orientation has identified him/her Exceptionist.
- H₂:** There is an effect of Organizational Ethical Culture on Corporate Software Piracy practices while the IT Professional's Ethical Orientation has identified him/her Subjectivist.
- H₃:** There is an effect of Organizational Ethical Culture on Corporate Software Piracy practices while the IT Professional's Ethical Orientation has identified him/her Absolutist.
- H₄:** There is an effect of Organizational Ethical Culture on Corporate Software Piracy practices while the IT Professional's Ethical Orientation has identified him/her Situationist.

4. Research Methods

4.1 Method of Data Collection

The participants for this research are IT professionals working in any organizations where there could be a possibility of software piracy. Only those IT professionals are approached who have a role in organizational ethical decision making related to software and other IT related expenditures. The data/ responses were collected via emails from a list of respondents with the handy instructions and assistance and also via self-administered survey.

4.2 Description of Instrument used

The survey questionnaires/ instruments used in this paper to get responses are extracted from Ethics Position Questionnaire, which was originally developed by Forsyth (1980). The EPQ has been very useful in describing differences in moral judgments and sensitivity to ethical issues (Shaub, Finn, & Munter, 1993). In this paper the EPQ is used to measure two basic aspects of an individual value system, which are described as Idealism and relativism. The Hunt combination of high and low scores of idealism and relativism provides the basis to categorize an individual's ethical orientation as illustrated in Forsyth's (1980) proposed taxonomy which include Exceptionist, Subjectivist, Absolutist and Situationist.

4.3 Sampling Technique

1000 Respondents were chosen to collect data from the major companies from Karachi, Pakistan. Unrestricted non- probability sampling technique is deployed to collect the data, for the reasons that (1) respondents are geographically scattered and it is not possible to get many respondents from any single location (2) the characteristics of samples are rare (3) Not every respondent is ready to give responses on a sensitive issues like software piracy and ethics (4) difficulty to reach all the respondents.

4.4 Econometrical Technique

Since the data/responses were collected in 1-7 lickert scale thus the collected data was considered as the data with the parametric nature, and to assess the relationship between the outlined variables and to test the developed hypotheses the split multiple linear regression is used and deployed.

5. Findings and Results

The effects of organizational ethical culture on the corporate software piracy practices for each Frosyth's Ethical Orientation are analyzed and interrogated as highlighted in the table 1. It is revealed that for only Exceptionist, our model which is comprised upon the organization ethical culture and the intercept is found significant and explains the 23.3% of variation in software piracy practices in the Pakistani organizations (as R squared = 0.233 at $F = 4.873 > 3.384$). The table 1 also reports that the organization ethical culture negatively and significantly predicts and affects the software piracy practices (as Beta = -0.772 at $p = 0.042 < 0.05$). Therefore, we fail the

Table 1: Findings via Split MLR

| Ethical Orientation | R-Squared | F | | Constant | Organization Ethical Culture (IV) |
|----------------------------|------------------|----------|-------------|-----------------|--|
| Exceptionist | 0.233 | 4.873 | Beta | 6.722 | -0.772 |
| | | | p | 0.000 | 0.042 |
| Subjectivist | 0.547 | 1.209 | Beta | 10.149 | -1.266 |
| | | | p | 0.284 | 0.470 |
| Absolutist | 0.036 | 2.120 | Beta | 4.572 | -0.261 |
| | | | p | 0.000 | 0.151 |
| Situationist | 0.001 | 0.007 | Beta | 4.066 | -0.046 |
| | | | p | 0.149 | 0.935 |

Corporate software piracy practices (DV)**Table 2:** Hypotheses Assessment Summary

| Hypotheses | Beta | Significance | Results |
|---|-------------|---------------------|----------------|
| H ₁ : There is an effect of Organizational Ethical Culture on Corporate Software Piracy practices while the IT Professional's Ethical Orientation has identified him/her Exceptionist. | -0.772 | 0.042 | Accepted |
| H ₂ : There is an effect of Organizational Ethical Culture on Corporate Software Piracy practices while the IT Professional's Ethical Orientation has identified him/her Subjectivist. | -1.266 | 0.47 | Rejected |
| H ₃ : There is an effect of Organizational Ethical Culture on Corporate Software Piracy practices while the IT Professional's Ethical Orientation has identified him/her Absolutist. | -0.261 | 0.151 | Rejected |
| H ₄ : There is an effect of Organizational Ethical Culture on Corporate Software Piracy practices while the IT Professional's Ethical Orientation has identified him/her Situationist. | -0.046 | 0.935 | Rejected |

reject the first hypothesis. While it is also revealed that for the rest of ethical orientations which include Subjectivist, Absolutist, Situationist, neither our stated model is significant nor does the organization ethical culture affect the software piracy practices. Thus we fail to accept the last three hypotheses (i.e H2, H3 and H4) as shown in Table 2.

6. Discussion and Conclusion

The purpose of this study was to examine IT professional's ethical decision making for software piracy practices for the organization they are working for. This piracy is slightly different than the piracy that an individual commit within the personal capacity. The decision making process studied in light to their own personal ethical orientations. In this study it is found that the organizational ethical climate has a significance influence on software piracy practices only when IT Professional's Ethical Orientation has identified him/her Exceptionist. While, there is no influence of organizational ethical culture on software piracy practices for the rest of different ethical orientations. The study suggests that there is a negative relationship between organizational ethical culture and software piracy in organizations when ethical orientation is Exceptionist. Hence, in the presence of Exceptionist as the organizational ethical culture is improved, the software piracy phenomenon gets depreciated and discouraged. While in case of Situationists, subjectivist and Absolutist the organizational ethical culture does not significantly influence Software Piracy practices.

This paper confirms the findings of various prior researches on ethical decision making. Douglas, Davidson & Schwartz (2001) also found that there is a negative effect of organization ethical culture on software piracy practices in various organizations. In support to the findings of this paper Brief et al. (1996) also found and confirmed the there is hardly an effect of personal values on moral judgments. Brief (1991) observed that personal values are connected to ethical decisions only under the conditions of low accountability.

The findings of this study emphasized to improve the perception of the individuals about organizational ethical culture in order to reduce the piracy phenomenon. Consequently it highlights the need to identify the ways in organization to build a positive perception among the employees about the organizational policies and procedure. Working individuals critically evaluate the actions, and the outcomes of actions those are exhibited by their superiors within the organization. Which result a strong perception in their mind over a period of time, Hence the to create a positive it is advised to vividly outline the rules and principles communicated from every top level of management to the lowest level of employee. This paper further stressed on the human character building so that working individual having clear understanding of morality and ethics. Creating a society having strong moral values and clear ethics principles could marginalize the un-ethical moral behavior in ethical dilemmas in general, and software piracy in particular.

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