Class 1 Ethics

Importance of ethics

- It's a means of deciding a course of action to achieve our goals
- Ethical behavior can:
  - Attract customers – improve value
  - Attract employees – improve productivity – improve value
  - Attract investors – improve value

Theory

'Ethics provides a set of standards for behavior that helps us decide how we ought to act in a range of situations. In a sense, we can say that ethics is all about making choices, and about providing reasons why we should make these choices.'

Three broad types of ethical theory

1. Consequentialist theories
   - Utilitarian: is good for large groups as it adds all the good and bad
   - Egoistic
   - Common good approach: is based on the general will of the people
2. Non-consequentialist theories
   - Duty based approach
   - Rights approach
   - Fairness approach or Justice approach
   - Divine command approach
3. Agent centred theories
   - Virtue approach: Confucius – makes standards
   - Feminist approach: caring approach

Applied ethics

- Obligatory
- Impermissible
- Permissible
- Supererogatory

Ethics and psychology

- Framing effects
- Overvaluation outcomes: punish outcomes more harshly than intensions
- Status Quo tendency: generally, stick with default option when given choice
- Overconfidence bias
- Egocentric bias

Ethics considerations in IS

- Interactivity
- Invisibility: lack of transparency relative to computers and their applications
- Privacy:
  - Reliability: trustworthy and competent data collector
  - Ungovernable diffusion: propagation of information
  - Data mining: profiling of individuals

    - Identify theft: fraud
    - Malicious attack: hacking and aggression
- Digital divide:
    - Economic inequality relative to access to information technologies
    - Unjustifiable and unethical exclusion of different groups with regard to information

Moral dimensions

Ethical issues raised by IS:

- Information rights and obligations
- Property rights and obligations
- Accountability and control
- System quality
- Quality of life

Concepts for ethical analysis of IS and managers of IS

- Responsibility – accepting the costs, duties and obligations for decisions
- Accountability – identifying responsible parties
- Liability – allows recovery for damage done to individuals or organizations
- Legal process – laws are know and understood – with ability to appeal to higher authorities possible

Ethical analysis process

1. Identify and define the facts
2. Define the conflicts and the values involved
3. Identify stakeholders
4. Identify your options
5. Identify the consequences of your options

Class 2 Structure of Financial Information

Using Financial statement to evaluate performance

- Profitability for shareholders: ROE = CI/CSE
- Profitability from total operations: NROA/OROA = NOPAT/OA
- Firms add value if:
  - ROE > r_e
  - OROA > WACC
- BVE = Book Value of Equity = A – L = CSE = Net asset
- RI = $CI_t - BVE_{t-1} \times r_e$