Stakeholders Perspective and Ethics in Financial Information Systems

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ABSTRACT

In the current context, the safety and security of financial information system (FIS) is the concern of every stakeholder. In order to solve the problem, most research only focuses on the technical and technological issues, omitting the ethical issues and the role of all stakeholders. The importance tied to the integration of new partners by incorporating all stakeholders with different and various objectives and interests implies a new understanding of the FIS. The stakes require financial information sharing among all stakeholders and the safeguarding of sensitive information and its appropriate use within the e-environment. Thus, in the examination of FIS safety and security issues, both the technical and the stakeholder perspectives must be included within a framework that demands adherence to the idiosyncratic ethical standards and norms wherein the business occurs.

Keywords: corporate governance; ethics; financial information systems; safety; sarbanes oxley act

INTRODUCTION

For almost five years scandals relating to excessive manager compensation and fraudulent bookkeeping have been the concern of academics, financial analysts, and media. One concern is that corporate governance mechanisms and ethical systems have failed to prevent these events. As a consequence, governments have enacted and enforced a stronger legal framework for both corporate governance and ethics (i.e. International Financial Reporting Standards [IFRS], Sarbanes-Oxley Act [SOX] in USA, or Loi de Sécurité Financière [LSF] [financial security act] in France). Regulators are considering further changes to improve these systems. In the current context, the safety and security of an efficient Financial Information System (FIS) is quickly becoming the concern of every stakeholder. Judicial systems (more particularly SOX) urge corporate managers to share information and guarantee the integrity of this information with their shareholders and
the public more widely than ever, similar to the stakeholder approach.

The stakeholder approach first appeared in 1932 (Berle and Means) and until 1984, the concept was not discussed in academic literature (Freeman, 1984). Since that time, it has widely inspired debate in both corporate governance and ethics from academics to policy makers to practitioners, being incorporated into their language, studies, and conceptualizations. Thus the stakeholder began to influence accounting theory, finance theory, and management theory (Roberts and Mahoney, 2004).

Within these theories, corporate governance theory introduces the value creation process centered on the ownership and control of information (Brickley, Smith and Zimmerman, 2001; Fama and Jensen, 1983b; Jensen and Meckling, 1976). Value creation, however, is value neutral and can be subverted for personal gain. Thus, financial information systems respond to the inclination of managers to counter disciplinary forces and entrenchment. Most research focuses on the technical and security issues, omitting the stakeholder issues. Ethical theories also address the value creation process, responding to all stakeholders (Weber, 2005). The conceptualization of these theories includes value creation, but for the whole of society, not simply those parts of the organization that will financially benefit.

Other authors discuss corporate governance from the perspective of the public (the state) identifying systemic weaknesses and failures in the dissemination of information (Benz and Frey, 2007) or from a comparative legal perspective that impacts on information collection and dissemination (La Porta, et al, 1998). Hayek (1945) perceives information and its distribution as having a central role for business entities. This complies with the ethical norms of business as practiced in North America.

The technical, legal, and stakeholder’s approach to corporate governance are not exclusive. But they are not inclusive of the necessary element of ethics. However, they appear to be merging through the commonalities of usage. In this article, we summarize the impact of corporate governance mechanisms and ethics on individual behavior, and more precisely on the integration and respect of Codes of Ethics within financial information systems. We conclude by outlining directions for future research.

Ethics within the e-environment is a mechanism of self-control. The use of ethics guarantees compliance with societal norms because ethics are frequently more developed of the law. However, the different underlying philosophies; that is Common law, Roman law, and religious law create a different understanding of ethics. Ethics within countries that abide by Common law are in advance of the codified law of Roman law, resulting in breaches frequently not punishable by the government. Ethics within countries that abide by Roman law are complementary, which, when breached, results in sanctions. With the advent of the globalizing dimensions of the Internet, both these systems have come to rely on social sanctions to enforce both laws and ethics. Governments do not codify laws at the pace that society adjusts and modifies behaviour in the e-environment. For this reason, the Codes of Ethics within the Internet and e-electronic environments are increasingly important as governors of behaviour.

Because of this increasing importance, the authors examine Codes of Ethics in the use of computers in general and within the e-environment specifically. Within this environment, we look at the human dimension of Information Technology (IT) in order to propose means of securing the environment for all stakeholders from human threat, both intentional and unintentional. In this examination, the authors have concentrated on financial aspects due to their importance within e-commerce and the complexity of the information accessed in the purchase process.
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