IESE Business School University of Navarra

Ethics hold the key to network contradictions

Today's Internet-based world has certainly made it easier for companies to acquire, store and transmit detailed information like never before.

April 1, 2011

By Antonino Vaccaro

In May 2011, Sony managers humbly bowed and apologized profusely for the theft of personal information, passwords and most likely credit card data of 77 million users of PlayStation, whose network was hacked in April, leading it to be offline for weeks. Immediately, a lawsuit was filed accusing Sony of not taking "reasonable care to protect, encrypt and secure the private and sensitive data of its users."

Just a few months earlier, in October 2010, the *Wall Street Journal* reported that Facebook had shared its users' personal information with dozens of advertising and Internet tracking companies, sparking a wave of outrage around the world.

Are these two extreme, unfortunate examples? Or do they represent the tip of an enormous iceberg that top managers urgently need to spot before they find themselves scuppered in dangerous waters?

Today's Internet-based world has certainly made it easier for companies to acquire, store and transmit detailed information like never before. But with these gains in speed and efficiency have come more complex, and sometimes contradictory, expectations about how they should collect, retain and disclose that information. Consumers, employees and other stakeholders are accessing and exchanging all manner of information related to individual habits, personal preferences and privately held beliefs, which used to be kept under lock and key, but are now largely out of our hands.

To deal with this, governments and policy makers around the world have tried to introduce regulation in an effort to maintain some semblance of control. But with each new log they turn over, they are finding rare new species of unanticipated problems swarming underneath. What's more, the borderless nature of virtual networks makes them harder to regulate using national legislation, which has limited territorial scope.

The key factors are well known to most managers: Issues of privacy, security, transparency and trust have long been on the corporate agenda. However, the emergence of Internetbased networks raises a raft of new implications for corporations, and trying to address these is anything but straightforward.

This article is published in IESE Insight Issue 9 (Q2 2011).

Array

Antonino Vaccaro

Professor in the Department of Business Ethics at IESE.

www.iese.edu/insight