

## Preface

In the contemporary world of business, the utilization of electronic forms of communication has become an essential aspect of most business models and processes. E-business is, to no small extent, part and parcel of all business today. While many businesses operate exclusively on the Internet, and thus make use entirely of e-business models, what is perhaps even more significant is to the extent to which nearly all businesses have had to adopt elements of e-business in order to remain competitive in the contemporary marketplace. While the more public face of e-business can be found in the various forms of Internet sales and marketing that almost all businesses now utilize to some extent, elements of e-business now aid in the facilitation of every form of business activity, from business to business transactions to operations management and human resources. Internet technologies and associated forms of electronic communication provide businesses a greatly expanded ability to efficiently carry out a wide assortment of tasks and to communicate effectively with an extensive range of stakeholders. It is thus no surprise that e-business is revolutionizing the manner in which business gets done and is a central element of the new globalized economy.

However, while no one would deny the many benefits that Internet technologies have afforded businesses or the expanded opportunities that e-business models are providing for companies, it is not surprising that ethical issues have been raised about various feature of e-business as well. As with any transformative business practice, by changing established models and offering new possibilities in commerce, e-business also has the potential to significantly affect employees, consumers, and other stakeholders in numerous ways. Business ethicists are always concerned with such transformative changes, and seek to clarify how their affects change our understanding of the rights and responsibilities of those involved. Given the range and extent of the transformation being brought about through the adoption of various forms of e-business, it should be readily understandable why the ethics of e-business is such a fertile area of inquiry.

Essentially, the ethics of e-business seeks to assure that those involved in implementing and utilizing forms of e-business do so in ways that are morally justifiable. The great benefits offered by e-business need to be pursued in a manner that is sensitive to the potential ethical implications of various aspects of e-business, if the transformation being brought about by and through e-business is ultimately going to contribute to the common good. This volume is designed with the aim of helping achieve this goal by offering a wide range of essays dealing with the multi-faceted nature of the ethics of e-business. The authors deal with a number of different ethical issues in e-business, and approach their subjects from diverse perspectives, but they share the common aim of calling our attention to the importance of ethics in e-business. The volume thus seeks to provide an overview of the ethics of e-business that is both broad, as the different essays treat many of the most pressing ethical issues in e-business, and deep, in

so far as each individual essay provides a sustained and detailed analysis of the particular topic treated. As such, no matter what their particular background or reasons for being interested in ethical issues in e-business, readers should readily find something that will expand their understanding of and appreciation for the ethics of e-business in the essays included.

## OBJECTIVES AND AUDIENCE

Aside from the general commitment to providing an extensive and thorough treatment of many of the most important ethical issues in e-business, three other important considerations were central in the planning of this volume. First, the volume was designed to be interdisciplinary in nature. As a branch of applied ethics, business ethics itself is necessarily interdisciplinary in nature, as engaging in ethical analysis of business issues requires a proper understanding of both the relevant ethical concepts as well as of the pertinent economic, social, legal, and organizational characteristics of contemporary business practices. The necessity of multidisciplinary understanding is perhaps even more important when considering e-business, given the complex, diverse and multi-faceted forms and structures of e-business. Properly characterizing the ethical issues raised in e-business thus necessitates calling upon insights from diverse disciplinary approaches. As such, this volume was intended to include representatives from a number of academic fields and areas of specialty. This goal has been met, as the articles contained herein are authored by writers from a number of different disciplines, including philosophy, legal studies, and a number of business specialties.

Second, ethical issues in e-business raise both theoretical and practical considerations. On the theoretical side, it is important to understand the conceptual matters involved in the ethics of e-business in order to both situate them in their proper historical, philosophical, social, and legal contexts and to be able to correctly appreciate the full significance of the issues involved. However, as with all forms of applied ethics, the aim is not merely to arrive at a correct theoretical understanding, as important as this is, but, at the end of the day, to provide guidance for those actually involved on how to act in ethically appropriate ways. That is, the ethics of e-business must also ultimately be geared toward promoting ethically responsible uses of e-business. The essays in this volume are meant to provide a balance between theoretical and practical approaches. Some chapters focus more on the theoretical, while others accent practical applications, but all are cognizant of the need for addressing both theory and practice in responding to ethical issues of e-business. As such, whether readers are more interested in investigating the theoretical constructs relevant to the ethics of e-business or in finding practical guidance on how to implement ethically responsible forms of e-business, they should find the volume useful in their endeavors.

Finally, as e-business effortlessly transcends national boundaries, it is important to realize that ethical issues in e-business are not limited to business in any particular country and, indeed, often have a transnational component. As such, this volume was intended to include perspective on the ethics of e-business originating from around the globe. The goal was to include authors from a number of different countries, in order to provide a more holistic view of the impact and ethical significance of e-business, which, by its very nature, has a global reach. Again, this goal has been met. While the majority of the authors are, perhaps not surprisingly given the origin of the volume, from the United States, the volume also does include chapters written by authors from a number of other areas. In this respect, the volume includes chapters written by authors based in Canada, Europe, and the Middle East. The hope is that the inclusion of chapters written by authors outside the United States will further encourage the inclu-

sion of a broader and more diverse range of voices within business ethics, as well as foster the kind of international cooperation which will certainly be essential to fostering ethical forms of e-business.

Given the range of issues and approaches adopted in the chapters included here, this volume should profitably serve a wide audience. First, scholars of business ethics from various disciplines can use the book as a basic resource on ethical issues in e-business. As the first major scholarly collection of essays solely devoted to the ethics of e-business, the book provides both a comprehensive overview of the state of the field, as well as many references to other scholarly resources on the topics treated for those who wish to follow up further on the issues discussed. Students of business ethics should also find this volume to be a useful resource for studying emerging issues in business ethics, and the text could easily be adapted for classroom use. Indeed, many of the articles include discussions of the hottest current issues in e-business ethics that could easily be used as the basis for case studies in business ethics for classroom discussion. Finally, since the essays in this book include discussions of many issues of practical import for the ethical conduct of e-business, the volume should be useful to any business person who is interested in developing and conducting e-business in an ethical manner as well.

## **THE CHAPTERS**

### **Section 1: The New Landscape of Business: Markets and Morals in the Age of E-Business**

The first section of the book is designed to introduce readers to the ethics of e-business by focusing upon the manner in which e-business is transforming traditional business practices and the ethical significance of these changes. Understanding the shifts in business practices and models brought about through the adoption of forms of e-business is necessary for articulating and responding to the distinctive ethical issues found in e-business. Chapter 1 sets the stage by examining the major ways in which e-business is transforming business practices, and the manner in which these transformative changes are raising new ethical issues. The author identifies three key transformative aspects of e-business and seeks to illustrate their ethical significance in terms of their potential to affect stakeholder relations. In doing so, the author demonstrates how the common model of stakeholder theory in business ethics can be adopted to illuminate and direct our thinking about ethical issues in e-business. The chapter concludes by arguing that two key moral norms, the commitment to transparency and respect for persons, can serve as important moral ideals to guide and shape our thinking about ethics in the new frontier of e-business.

In Chapter 2, Susan Emens continues the discussion of the changing landscape of e-business by examining the shift in business models involved in e-business. Emens examines the way in which the growth of e-business has forced businesses to develop new organizational models and strategies. She utilizes the idea of a paradigm shift in examining these changes. Essentially, Emens maintains that e-business involves the adoption of a new business paradigm that entails changes in the way in which business parties, such as buyers and suppliers, relate in business transactions. Here, the chapter uses the example of online reverse auctions to illustrate both the nature of the paradigm change as well as its ethical implications for buyers and sellers. While the chapter argues that e-business practices such as online reverse auctions can have significant benefits for businesses, it shows they also can affect the trust that exists between business parties. As trust is an essential component of business ethics, the

chapter maintains that finding ways to establish trust in e-commerce transactions should be central in the new paradigm of e-business. The chapter concludes by examining several different ways in which trust might be fostered in e-business transactions.

## Section 2: Anonymity, Trust, and Loyalty on the Internet

As indicated by Emens, trust is a central element of business relations, and thus key to understanding the ethical issues of e-business. Section 2 takes up questions of trust and related issues in a sustained way. All three chapters in this section see trust as the central issue of the ethics of e-business, and each responds to issues of trust in a unique manner. Chapter 3 addresses one of the key barriers to fostering trust in e-business: the anonymity of the Internet. E-business transactions are often anonymous in so far as the parties involved have no direct, face-to-face, relationship with the persons they are dealing with. Eric Rovie identifies several distinct ethical problems that can arise from a lack of trust in e-commerce. He goes on to suggest that the problems of trust arise in e-commerce since Internet interactions take place without the kind of basis in personal, face-to-face, interactions that traditionally serve as the source of trust in business. Rovie uses the ethical and social theory of Thomas Hobbes to both illustrate these issues and to offer a potential solution to the problem of anonymity on the Internet. In this respect, he argues that institutional or social regulations may be necessary in e-commerce in order to appropriately remedy the lack of traditional mechanisms of trust in e-business. Such remedies, similarly to Hobbes' sovereign, would act to curtail the moral hazards caused by opportunistic free riders in e-commerce.

Much like Rovie, in chapter 4, Andrew Terjesen argues that in transcending the limitations of "real world" business transactions, e-business both affords greater market opportunities to businesses, but also significantly exacerbates problems of trust. Once more, the chapter points to the anonymity of the Internet as the source of distrust. Because Internet transactions involve no direct personal contact, Terjesen maintains that the motivation to be moral can be significantly diminished in e-business transactions. However, unlike Rovie's institutional response, Terjesen moves to an examination of the affective side of the individuals involved. Here, the author argues that merely appealing to traditional moral principles will not sufficiently address issues of trust on the Internet, since this does not address the emotional component that typically serves to ground trust in personal relations. As such, the author appeals to the moral theory of sentimentalism as a possible means of resolving issues of trust in e-business. Terjesen argues that by providing an understanding of how judgments of trust are evoked in the first place, the sentimentalist approach can provide an account of how to develop trust in e-commerce that will properly motivate persons to engage in ethical forms of e-business.

Chapter 5 also views trust as the central ethical issue of e-business. The chapter views the establishment of trust as essential to the continued vitality of e-commerce. The difficulty, given the unique nature of e-business, is how to establish means of fostering trust in Internet transactions. For instance, the decentralized nature of the Internet makes traditional forms of commercial regulation more difficult to enforce in e-business. Given this difficulty, the author believes that considerations of non-traditional approaches to regulating e-business are warranted. In this regard, the chapter points to fiduciary law as one possible means of facilitating trust in e-business. The fiduciary concept focuses upon the responsibilities that agents have to preserve the interests of those to whom they are entrusted. Fiduciary law, the author notes, is geared toward maintaining the integrity of crucial social and economic relations and thus would aid in the facilitation of trust and loyalty in e-commerce. The author goes on to describe the

specific ways in which the proper application of fiduciary law could supplement statutory regulation and common law in governing e-commerce.

### Section 3: Marketing Ethics in E-Business

In many ways marketing represents the public face of business, and it is thus not surprising that the most visible aspect of e-business is likewise often represented by the new marketing efforts utilized by companies in the age of e-commerce. Certainly e-technologies allow companies the potential to market services and products in numerous innovative ways. However, the ethical implications of these practices also need to be considered, and the chapters in this section take up that task. In Chapter 6, Abe Zakhem examines the emerging use of Mobile Location Based Services (MLBS) for e-marketing purposes. Given that mobile phones are currently the most widely used technology platforms on the planet, Zakhem argues that marketers are well aware of the immense opportunities to them by such technologies. However, Zakhem also believes that the kind of access to and information about consumers that such technologies provide companies generate conditions of vulnerability and dependency for users. Adopting a fiduciary framework much like that explored by Rotman in the previous chapter, Zakhem goes on to suggest that given the nature of this vulnerability and dependency, we are justified in applying fiduciary principles to the relationship between MLBS providers and users. As such, Zakhem recommends regulating e-commercial relations utilizing such technologies along fiduciary lines.

Online marketers have used a number of techniques for researching consumer behavior as well, and Chapter 7 examines one family of such forms of online research: the use of A/B and multivariate testing for website optimization. J. J. Sylvia shows how companies use such online modeling techniques to test various aspects of website design, with the aim of increasing average user orders and decreasing abandoned shopping carts. While such techniques may seem benign, Sylvia maintains that the kind of manipulation they involve is actually quite ethically significant. Examining the practices from the perspective of three different ethical theories, Sylvia argues that while some uses of such testing may be ethically acceptable, other forms are not ethically justifiable. The chapter concludes by examining the manipulative aspects of A/B and multivariate testing and suggesting that more explicit codes of conduct for the usage of such testing need to be developed.

Chapter 8 uses the traditional notion of the marketing mix to illuminate the ethical issues of online marketing. The traditional idea of the marketing mix categorizes that marketing strategies of companies into four crucial elements: product, price, place, and promotion. In Chapter 8, the author examines each of these four elements in respect to online marketing practices. The author seeks to demonstrate that online marketing practices involve unique issues in regards to each of the four elements, and that in each case ethical issues can be raised as well. By examining the distinctive ethical issues involved in the marketing mix in online marketing practices, the author both illuminates the ethically sensitive areas of online marketing as well as offers a framework for responding to those issues. The chapter concludes with a consideration of how businesses can create a corporate climate conducive to ethically responsible forms of online marketing.

The last chapter in this section takes up the issue of marketing corporate image online. Mary Lyn Stoll notes that many companies have an interest in marketing their Corporate Social Responsibility (CSR) efforts to consumers. The Internet provides such companies with the means to do so cheaply and with the ability to reach a greater audience than with more traditional forms of advertising. However, the author argues that as a medium of communication, the Internet poses particular challenges in terms

of the epistemological constraints it places on users. These issues are especially important, the chapter argues, when addressing claims of corporate social responsibility online. Stoll examines the nature of online communication and the benefits and problems involved with marketing good corporate conduct online given the particular challenges of online communication. She argues that while there is nothing intrinsically wrong with seeking to promote a good corporate image online, companies should do so in an ethically responsible manner. In this regard, she concludes by offering practical guidelines for corporations to use in promoting morally good conduct online.

## Section 4: Privacy and Property Rights Online

Two of the most prominent concepts often invoked in discussions of ethical issues in e-business are those of privacy and property. This is no doubt due to the fact that various Internet technologies have seriously altered the manner in which information is gathered and distributed in e-business. Such changes raise questions about how to approach issues of privacy and property rights in an online environment. In Chapter 10, Kristen Martin addresses issues of privacy in e-business. Comparing the traditional tale of Lady Godiva and Peeping Tom with the contemporary case of Facebook's Beacon program, Martin maintains that while the underlying concept of privacy has not changed, we must rethink the manner in which we recognize and respect privacy in light of the changes in what can be done with personal information as a result of the widespread adoption of electronic technologies. Martin argues the privacy is best viewed in terms of individuals' ability to control information about themselves within negotiated zones, and offers an account of privacy zones that can be used to respond to privacy issues in contemporary online practices in a manner that is respectful of all stakeholder interests.

Moving from privacy rights to property rights, Chapter 11 takes up the issue of strong copyright in e-business. Strong copyright views are those that wish to apply the maximal amount of legal protection for intellectual property and are often appealed to in response to worries about the increasing ability of consumers to access and distribute digital media. The chapter views these moves as potentially disempowering users of digital media, and argues that doing so would undermine the benefits gained by users through the new technological capabilities connected with digital media. In appealing to a number of different moral theories, such as Lockean, Kantian, and Utilitarian theories, the chapter seeks to show that the appeal to strong copyright is not morally justifiable. Instead, the chapter argues that businesses should adopt innovative business models that are respectful of the new opportunities offered to end users by electronic technologies. Such a proactive response would seek to secure mutually beneficial models of business that foster enhanced technological usage rather than stifle user capabilities.

Chapter 12 also takes up issues of property rights in e-business, but from the consumer side. Matt Hettche argues that while electronic commerce has generally been seen as a tool for consumer empowerment, it is also well recognized that it affords companies the ability to gather vast data on consumer behavior. Online collection and tracking techniques now allow businesses to gain a wealth of information on consumer behavior that provides them with a competitive advantage in predicting consumer preferences and anticipating online behavior. Such a situation creates an asymmetrical balance of knowledge between consumers and businesses, and thus potentially disadvantages consumers in online transactions. Hettche argues that if we view consumer information stemming from online activity as a form of virtual property, then we can establish limits, based on property rights, on how consumer information can be gathered and utilized. The chapter appeals to the traditional Lockean defense of property rights, and seeks to show how this justification can be extended to cover virtual property rights in the age



of e-business. Hettche argues that marketers have an obligation to respect this right in their interactions with online consumers, and that doing so will aid in the achievement of more fair and efficient market transactions in the digital environment.

## Section 5: Ethical Issues in Public Policy and Communication

The final section involves discussions of several areas of pragmatic concern in the ethics of e-business. One of the most vexing public policy issues of Internet commerce revolves around questions of taxation. Currently, most businesses are not required to collect sales taxes on e-commerce transactions in the United States, as long as the sales originate from out of state. In Chapter 13, Brian Coleman examines the question of fairness in regards to taxation of Internet sales. While some people view the lack of direct taxation on Internet sales as a strong market incentive, others view the loss of revenue to states and municipalities as a serious problem. One possible solution offered would be to impose a universal interstate sales tax on all Internet sales. Coleman examines the arguments in favor and against such an Internet tax. From a contractarian perspective, Coleman argues that such an Internet tax would be justified since it more fairly distributes resources in a mutually advantageous manner. The author uses the theories of John Rawls and David Gauthier in articulating his arguments in favor of the Internet sales tax.

Finally, Chapter 14 examines ethical questions related to one of the most common forms of communication used in e-business, e-mail. The author examines the numerous ways in which e-mail differs from other forms of business communication. As an asynchronous, distant, and text-based form of communication, the author demonstrates how e-mail communication can be misused, manipulated, and give rise to misunderstanding. Other problems, such as potential privacy infringements or the encroachment upon the personal time of employees, can also stem from improper use of e-mail as a business communication tool. As such, the chapter argues that it is important that companies are sensitive to the potential unethical behaviors that widespread e-mail usage can give rise to in the workplace. After carefully delineating all of the potential ethically problematic uses of e-mail communication, the author considers how corporations might foster ethically appropriate usage of e-mail. Here, the author suggests some ways in which the development of internal corporate culture and the articulation of clear policy guidelines could alleviate the potential for unethical behavior.