A Model for Monitoring and Enforcing Online Auction Ethics

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ABSTRACT

The online auction has become an important form of e-commerce. Although using a different mode for conducting auction activities, online auctions should abide by the same code of ethics outlined in the face-to-face auction environment. Yet, ethics-related issues for online auctions have not been fully discussed in the current literature. The unique features of online auctions present an opportunity to address how ethical conduct could be supported, monitored, and enforced in an online auction environment. With technology being the backbone of the online auction, information systems appear to be a useful tool in facilitating ethics enforcement. This article summarizes ethics-related issues that are particularly relevant in online auctions, and recommends a code of ethics that could be applied to online auctions. Based on this set of ethics, this article proposes a model for an information system that will support and enhance ethical conduct in an online auction environment.

Keywords: agent technologies; B2C e-commerce; online auctions; intelligent support systems; Internet ethics

INTRODUCTION

After several years of proliferation of e-commerce, online auctions have become an important means of selling merchandise (Reck, 1997; Turban, 1997; Klein & O’Keefe, 1999). Traditionally, auctions have been used for selling unique and unusual items such as celebrities’ personal property and art. Since the Internet became the e-commerce media, online auctions are virtually adopted for all kinds of commodities, ranging from low-price books to expensive real estate (Amazon, 2005; eBay, 2005; eShop, 2005). Huge revenues have been generated by online auctions. As of 2001, more than 35 million people participated in online auctions annually, and online auctions constituted a
$6.4 billion per year industry, with that figure estimated to increase to $15.1 billion per year by 2004 (Albert, 2002).

Online auctions create virtual auction houses for businesses and consumers. They enhance the cooperative as well as the competitive environment for trading. Also, they could have profound implications on participants' behaviors in auctions (Standifird, 2001). Recently, countless reports on fast-growing cases of online auction fraud (Anonymous, 2003; Gatlin, 2003; Keefe, 2003) have brought the attention of law enforcement to the industry. While legal cases are often associated with poor morality and ethics in the organizations, ethical issues in online auctions are often overlooked, ignored, or silenced. Little literature on business ethics of online auctions exists. Research concerning this issue is imperatively needed to understand the ethical responsibilities of the different parties involved in online auctions. There have been many general theories in ethics (Rosenau, 1992). Some argued that developing and enforcing the code of ethics might lead to an abdication of individual moral responsibility (Bauman, 1993). According to this theory, actors who rely on external rules will more likely consider a trade-off between risks and benefits rather than moral impulse. This proposition is true in the sense that ethical issues are not legal issues, and there is no clear moral compass to guide actors through complex dilemmas about right and wrong. Nevertheless, common recommendations offered by experts in addressing business ethics include the adoption of a code of ethics and the enforcement of the adoption (Bayles, 1987; Beets & Killough, 1990).

There are several approaches to enforce ethics. One is using government administrative agencies, such as the Federal Trade Commission, to monitor the conduct of practitioners. An alternative to government regulation is a civilian board elected by the relevant business organizations. Many business organizations have their own ethics enforcement bodies to sensitize their employees to ethical issues and train them to act ethically. Ethics enforcement systems include training-based, auditing-based, and complaint-based systems. At this point, it is unclear which mechanism is the best for online auctions. However, information systems would be useful tools in facilitating ethics enforcement, given that online auctions are conducted with their support. Although ethics-related issues for online auctions have not been fully discussed in the current literature, we believe that the unique features of online auctions present an opportunity to address how ethical conduct could be supported, monitored, and enforced in an online auction environment. The intention of this article is to explore the following questions:

1. What are the ethical dilemmas existing in the online auction environment?
2. How can the ethical dilemmas be monitored and governed?

To answer the first question, we first summarize ethics-related issues that are particularly relevant for online auctions, and then explain how these issues have
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