Ethical Choices
in Interactive Environments

Sandy Jap
Emory University

The Research Question

Do marketing managers choose to act more or less ethically in interactive environments than they would face-to-face?
Online vs. Offline

In online reverse auctions, suppliers believe that buyers are acting unethically, when in fact, buyers are acting ethically (Jap 2003)

Online dating is a process of “determining degrees of lying” in a potential partner

Friendster has 4M users. 2619 "pretendsters" were terminated (NYT 11/27/03)

Individuals are antisocial and uninhibited online (Kiesler & Sproull 1992)

The etiquette perspective: systems that display better behavior enhances user acceptance, trust, confidence

*Do online environments create greater opportunity for unethical choices and bad behavior?*

Context

Employees average 2-2.5 hrs/day on email

USPS delivers 100B pieces/year. The Internet delivers 40x that amount in the US alone (Goldhaber 2001)

80% of respondents say email is more valuable than the phone (Meta Group survey of 387 organizations)
How to Study Ethics?

Self-reports are subject to a social desirability bias.

What should we examine?

• Responses to innocuous questions (e.g. John 1984)
  ▪ I feel the company isn't always completely candid with me, so I am not always completely candid with the company.
  ▪ Sometimes I present facts to the company in such a way that I look good.
• Projected reports of my own behavior?
  ▪ E.g., Joe and Jane would/should do X
• Reports of a partner’s unethical behavior?
• Actual unethical behavior

Theoretical Literature

Ethics research in marketing

• Focus on philosophy
  ▪ e.g., Dunfee, Smith & Ross 1999; Hunt & Vitell 1986; Smith 1995; Thompson 1995
• Empirical verification of philosophy conceptualizations
  ▪ e.g., Hunt & Vasquez-Parraga 2002, Mayo & Marks 1990, and Sparks & Hunt 1998
• Examined organizational and situational variables and individual factors
  ▪ Ferrell & Gresham 1985, Trevino 1986

Few studies on unethical behavior

• No studies in interactive environments
What Will Managers Choose?

<table>
<thead>
<tr>
<th>Unethical Online</th>
<th>Ethical Online</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Anonymity and ambiguity encourages unethical behavior</td>
<td>• Interactive contexts leave a paper trail</td>
</tr>
<tr>
<td>• Lack of communication clarity makes it difficult to cultivate trust and interpret signals</td>
<td>=&gt; individuals are held accountable</td>
</tr>
<tr>
<td></td>
<td>• Clarity of face-to-face provides many ways to commit unethical behavior</td>
</tr>
</tbody>
</table>

Additional Questions

How does the choice to act ethically online or offline change as:

• The decision maker’s personal stakes are raised?
• There exists an ongoing relationship with the decision maker?
How Will Personal Stakes Affect Ethical Choice?

Generally, managers are more unethical as their personal stakes increases

How will these stakes affect ethical choices in interactive environments?

How Will an Ongoing Relationship Affect Ethical Choices?

Relationships generally produce a wide range of desirable objective and subjective organizational outcomes.
• Anderson & Weitz 1992; Dwyer, Schurr & Oh 1987; Jap 1999

Relationships should inhibit unethical behavior, although there is little empirical verification
• Brass, Butterfield & Skaggs 1998; Ross & Robertson 2000

How will ongoing relationships affect ethical choices in interactive environments?
The Multi-Method Research Agenda

1. Identify unethical behaviors in online environments
   - Qualitative interviews with buyers, sellers, and providers of online reverse auctions
     ▪ Uncover forms of unethical behavior
     ▪ Identify potential mechanisms for curbing the behavior

2. Systematically assess online vs offline effect and potential interactions
   - Survey using hypothetical scenarios
     ▪ Assess the extent to which executives act unethically across a variety of circumstances
   - Quasi-experiment involving negotiation exercise
     ▪ Examine actual unethical choices

Qualitative Interviews

16 Buyers, 15 Suppliers, 10 Providers

Behaviors
   - S: unqualified bidders, phantom bidding, benchmarking
   - B: birdwatching, bid too low and change specs, collusion, overstating capacity

Mechanisms for curbing unethical choices
   - Build credibility
     ▪ Clear introduction, rules, explanations
     ▪ More training
     ▪ Better preparation
   - Provide feedback
     ▪ Auction-determined award rules
     ▪ Feedback to losing bidders
Survey

200-300 Executives

Manipulations
• Media: Online or face-to-face
• Personal stakes: low or high
• Relationship: none or ongoing

Series of hypothetical scenarios
• (un)Fairness, active and passive deception

Sample Buyer Scenario: (1=definitely will not, 7=definitely will)
• You are in charge of buying office furniture for your firm’s new building. You are dealing with a supplier that you have worked with for years and the negotiation will begin [by email / in person] tomorrow. You know that the supplier will give you a [large (40%) / small (1%)] price break if you initially inflate the size of the order (and reduce it later). Will you inflate the size of the order?

Sample Supplier Scenario:
• You are selling a number of office machines to a small service firm that is your longstanding customer. The firm is prepared to order only high-end models, although you realize that their firm will find the extra features completely unnecessary, and would be much better off with a less expensive model. Your commission on this sale will be a [substantial (40%) / minimal (1%)] proportion of the purchase price of the machine. You are scheduled to have [an online meeting / a lunch meeting] with this customer in a few days. Will you tell the customer that he needs the extra features of the more expensive model?
Quasi-Experiment

Negotiation exercise in MBA class

“Bullard Houses”
  • Sale of property to potential buyer
  • No agreement can be reached without a breach of ethics by either party

Manipulation: Online vs offline
  • Chat software

Wrap-Up

Individual behavior appears to change in online environments

Studying ethics is a challenge

Online vs offline ethics has not been directly examined

Multi-method approach is one step toward better understanding

Many more aspects yet to be explored!