

# Ethical Choices in Interactive Environments

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## 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?

### Unethical Online

- Anonymity and ambiguity encourages unethical behavior
- Lack of communication clarity makes it difficult to cultivate trust and interpret signals

### Ethical Online

- Interactive contexts leave a paper trail => individuals are held accountable
- Clarity of face-to-face provides many ways to commit unethical behavior

## 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

- Carr 1968; Hegarty & Sims 1978; Lewicki & Litterer 1985; Mitchell & Mickel 1999; Tenbrunsel 1998; Trevino & Youngblood 1990

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!