

# Chapter 1

## The Transformative Nature of E-Business: Business Ethics and Stakeholder Relations on the Internet

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### ABSTRACT

*The growth of various forms of e-business, from Internet sales and marketing to online financial processing, has been exponential in recent years. It is no exaggeration to say that nearly all forms of business involve elements of e-business today. Internet technologies provide businesses with the potential to more effectively research, market and distribute products and services, to more efficiently manage operations, and to better facilitate the processing of business transactions. However, e-business activities can raise ethical issues, as the new forms of technology and business practices utilized in e-business have the potential to pose significant moral risk as well. As such, both scholars and business persons have a responsibility to be aware of the ethical implications of e-business and to endeavor to promote ethically appropriate forms of e-business. The aim of this chapter is to aid in those enterprises by mapping out some of the major ethical issues connected to e-business. In doing so, this chapter seeks both to serve as a general introduction to this volume and to provide a conceptual framework for understanding and responding to many of the ethical issues found in e-business.*

### INTRODUCTION

E-business may broadly be defined as “the use of Internet-based computing and communications to execute both front-end and back-end business processes” (Hsu, Kraemer, & Dunkle, p. 9). In this sense, as Kraemer, Dedrick, and Melville (2006)

note, e-business includes any use of electronic forms of communication or “the Internet to conduct or support activities along firm and industry value chains” (p. 17). Such activities can include everything from marketing and sales to supply chain management and research and development. Thus, while the term e-commerce is usually used to more narrowly refer to the process of buying and selling of goods and services over the Internet (Holsapple & Singh,

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2000), e-business in the broader sense refers to any aspect of business that includes an electronic component. As such, while e-commerce perhaps represents the more well known public face of e-business, e-business currently involves much more than just this facet. Indeed, what makes e-business a particularly fertile realm of research is the extent to which aspects of e-business have been integrated into the operations of nearly all areas of business. S. Tamer Cavusgil nicely summarizes the holistic nature of e-business in remarking that Information technology and the Internet have transformed business, and this transformation isn't just about conducting business online. It's about integrating e-business capabilities into every aspect of value creation, such as procurement and customer relationship management. Right now, myopically e-commerce has transformed into e-business. This is no longer about exchange of services or information over the Web – it's about the total transformation of business services and product offerings. (2002, p. 26)

It is precisely because e-business is totally transforming the means by which businesses operate that it becomes so important to address the ethical issues involved in e-business. Ultimately, ethics is concerned with the principles that govern the interaction of persons, and seeks to discern the standards that will best facilitate human flourishing, promote the general welfare, and provide for respect for individual rights. Business, as Robert Solomon (1992) reminds us, can and should contribute to the aim of human flourishing as well as produce profits, otherwise it has no legitimate function in our society. Only a vision of business that connects it to the common good can ultimately justify business. As with all forms of business then, it is important to develop e-business in ways that are ethically justifiable. Given the central role that business plays in contemporary societies in facilitating both individual well-being and social goods, and given that e-business is becoming a crucial element of

most business practices, it is essential that those involved in business are sensitive to the ethical implications of e-business practices. The risks of doing otherwise are simply too great.

This chapter seeks both to introduce readers to the ethical issues involved in e-business and to provide a framework for investigating and responding to those issues. In doing so, it first illustrates the ways in which e-business is transforming business, and the ethical significance of these changes. The chapter then identifies and analyses a group of core issues around which many of the ethical questions about e-business revolve. It also uses the stakeholder model of business ethics as a means of conceptualizing the ethical challenges and responsibilities of e-business. In doing so, the aim is to provide a conceptual foundation for researchers, students, and business persons interested in ethical issues in e-business. The chapter also aims to provide a general introduction to the ethics of e-business that serves to situate the various essays on more specific aspects of ethics and e-business that follow in this volume.

## **BACKGROUND**

The growth of e-business has been consistent and vigorous over the last few decades, to the point that e-business is an intrinsic element of most business operations. Numerous statistics attest to the phenomenal growth in e-business in recent years. For instance, data on e-business shows that:

- Since 1990 U. S. Census Bureau statistics show that in the United States, “retail e-commerce sales reached almost \$127 billion in 2007 ... an annual gain of 18.4 percent. Rapid growth in e-retail has been the norm. From 2002 to 2007, retail e-sales increased at an average annual growth rate

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