

Chapter XIII

Virtuality and Reality: What Happens When the Two Collide?

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ABSTRACT

This conceptual chapter explores the distinction between virtual and real environments, the situations when they might clash and the implications from this clash. We start by categorizing virtual environments. Next, we present a framework for comparing the rules that govern behavior in different virtual and real environments. We list a number of situations where virtual and real environments can collide and explore the characteristics of such situations. Finally, we discuss the implications from clashes between virtual and real environments and what society can or should do about such potential and actual clashes.

INTRODUCTION

In mid July 2007, the bizarre story of John Mackey, co-founder and CEO of Whole Foods, was published in the *Wall Street Journal* (Banjo, 2007). As reported by this source, John Mackay founded Whole Foods in 1980. Within the next decade and as a result of the acquisition of a number of other health food stores, the company grew exponentially, leading it to go public in January, 1992.

Within a few more years, Whole Foods became the major health food chain in the U.S. The only competition to its market dominance was Wild Oats Markets Inc.

At about the same time that Whole Foods opened its 100th store in 1999, its founder and CEO, John Mackey, started posting anonymous messages on a Yahoo finance message board, identifying himself as "Rahodeb." In his messages, "Rahodeb" shared flattering information

about Whole Foods and disparaging remarks about Whole Foods major competitor, Wild Oats Markets Inc.

The messages on the Yahoo finance message board continued for a number of years while the value of the shares of Whole Foods went up and the value of the shares of Wild Oats Markets Inc. went down.

In February 2007, Whole Foods announced plans to acquire Wild Oats Markets Inc. for \$565 million. Following this announcement, the Federal Trade Commission filed a suit against Whole Foods, attempting to block the purchase of Wild Oats Inc. on anti-trust grounds. As part of its submission, which eventually was leaked to the media, the Federal Trade Commission made public the e-mail messages posted by Whole Foods' CEO, John Mackay.

The publication of the e-mail messages resulted in a media debate between Mr. Mackay's detractors and defenders. While some anti-trust experts claimed that Mr. Mackay's messages may have resulted in his company reaching the market dominance that it has attained at the expense of its competitor, Wild Oats Markets Inc., Mr. Mackay's defenders said that his anonymous comments, though boastful, provocative and possibly impulsive, were no different from his public ones and were never intended to disclose insider information about his company or move stock prices. In any case, the fact that he made these comments anonymously meant that they did not have the "weight" that they would have had, had it been known that they were written by the founder and CEO of Whole Foods.

As for Mr. Mackay, he told visitors to his Whole Foods Web site that he had made the online comments because he "had fun doing it," alluding to the fact that "having fun" is the major motivation for many members in online communities to participate in discussions in this environment.

The Whole Foods deal was eventually finalized when a three-judge panel rejected the

Federal Trade Commission's request for a delay of the lower court judge's ruling in favor of the acquisition. As a result, Whole Foods and Wild Oats were free to complete their deal as planned (Kesmodel, 2007).

The story of John Mackay, the CEO of Whole Foods and his adventures online, raises a series of interesting questions that this chapter focuses on. In particular, it raises the following three questions:

1. What happens when the virtual world (where making anonymous comments about various issues is totally legitimate) and the real world (where CEO's are not supposed to spread information about their company and its relationships with its competitors without taking full responsibility for this disclosure) collide?
2. What happens when the collision between the virtual and real worlds leads to tangible results such as the thriving of one company and the demise of another?
3. Should the rules of behavior in the virtual world be the same as the rules of behavior in the real world, particularly when one world (environment) impacts the other?

In the following sections of this chapter, we will start by categorizing virtual environments. Next, we will develop a framework for comparing the rules that govern behavior in virtual and real environments. We will list a number of situations where virtual and real environments can collide and explore the characteristics of such events. Finally, we will discuss the implications from clashes between virtual and real environments and what society can or should do about such potential and actual clashes.

Note that this is a preliminary glimpse into a phenomenon that is emerging at the time of the writing of this chapter. Consequently, much of the data on which this chapter is based is derived from media sources rather than from scholarly

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