

Copyright is owned by the Author of the thesis. Permission is given for a copy to be downloaded by an individual for the purpose of research and private study only. The thesis may not be reproduced elsewhere without the permission of the Author.

**The perceptions of SME owner-managers  
relating to ethics and online  
business practices.**

---

*A thesis presented in partial fulfillment of the  
requirements for the degree of Master of Management  
in Management at Massey University.*

**Iain Cave**

**2008**

# Acknowledgements

I was fortunate to have a supportive cast of people around me that have contributed in some way to the completion of this thesis.

First and foremost I would like to thank Kate Lewis and Dr Louise Lee, my research supervisors, who gave freely of their time and gave timely advice and direction throughout the year. Their patience and academic support really helped me to keep focused on the task at hand.

I would also like to thank my family, especially Mum and John, who always support me no matter what endeavour I attempt, and their genuine interest in this study was much appreciated. Special thanks also go to my friends who have also encouraged and supported me whilst I have undertaken this research.

Finally, to my fiancé Ali whose radiant smile and boundless enthusiasm helps me to see each day as a new challenge and whose love and support knows no limits.

Thank you all,

---

**“Ethics is the activity of man directed to secure the inner perfection of his own personality.”**

Albert Schweitzer 1875-1965

## **Abstract**

The Internet has created many new opportunities for small-to-medium sized enterprises (SMEs) and many of these firms are encountering external pressure to have an online presence. E-commerce, however, brings a series of ethical challenges for many businesses, notably issues relating to privacy and security. These ethical challenges need to be met by SME owner-managers in order to ensure that their business competes and survives in today's hyper-competitive environment.

To date, there is very little research on ethics and online business, and the focus of this study was to investigate ethical perceptions of SME owner-managers relating to online business practices. The study was qualitative in nature and involved semi-structured interviews with twelve owner-managers of Wellington based SMEs that had an online presence.

The exploratory nature of the study meant that rich data was obtained from the twelve interviewees and the findings were grouped into three main themes for discussion, the importance of e-commerce, the underlying values and risk-tolerance of the participant owner-manager and, participant perception of ethical online issues such as privacy, security, intellectual property (IP) and online trust.

The importance of e-commerce both now and in the future was highlighted by the owner-managers, and there was also a diverse range of ethical concerns that they had with online business. These findings and subsequent discussion allowed for some interesting conclusions to be made. The complex changing nature of online ethics is highlighted, as well the notion that stakeholders have an important influence on the online ethical framework. This study also concludes that there is a gap between current legislation and an awareness of how this impacts on the owner-managers business. There is also a 'disconnect' between thought and action on the part of the owner-manager in terms addressing some of their online ethical concerns.

---

---

# Contents

<b>Chapter 1: Introduction</b> .....	<b>Page 1</b>
1.1 Background to the research .....	Page 1
◦ <i>The importance of the Internet</i> .....	Page 1
◦ <i>Ethics and online business</i> .....	Page 3
◦ <i>The importance of SMEs</i> .....	Page 4
1.2 The research question and research objectives.....	Page 4
1.3 Thesis structure .....	Page 6
<b>Chapter 2: Literature review</b> .....	<b>Page 7</b>
2.1 Introduction.....	Page 7
◦ <i>Literature framework</i> .....	Page 7
2.2 The challenge for businesses.....	Page 8
2.3 Ethics and business .....	Page 8
◦ <i>Theories of ethics</i> .....	Page 10
2.4 Online business ethics.....	Page 11
2.5 Online ethics and business practices .....	Page 12
◦ <i>E-commerce and e-business</i> .....	Page 12
◦ <i>Privacy of the company, workers and customers</i> .....	Page 15
◦ <i>Online trust</i> .....	Page 18
◦ <i>Intellectual property (IP)</i> .....	Page 20
2.6 Business ethics and SMEs.....	Page 22
◦ <i>SME Internet adoption</i> .....	Page 24
◦ <i>Barriers to SME Internet adoption</i> .....	Page 26
2.7 Literature review summary .....	Page 27
◦ <i>The next chapter</i> .....	Page 27
<b>Chapter 3: Research design</b> .....	<b>Page 28</b>
3.1 Research framework .....	Page 28
◦ <i>Rationale for epistemology</i> .....	Page 30
3.2 Research theoretical perspective .....	Page 31
3.3 Research methodology.....	Page 31
3.4 Research methods .....	Page 32
◦ <i>The field research</i> .....	Page 33
3.5 Ethical considerations .....	Page 36
3.6 Data analysis .....	Page 37
3.7 Research integrity .....	Page 39
◦ <i>The issues</i> .....	Page 39
◦ <i>Addressing the issues</i> .....	Page 39
◦ <i>Research limitations</i> .....	Page 40
3.8 Summary of the research design .....	Page 41
◦ <i>The purpose statement</i> .....	Page 41
◦ <i>The next chapter</i> .....	Page 41
<b>Chapter 4: Results</b> .....	<b>Page 42</b>
4.1 Profiles of the participants and their business .....	Page 42
◦ <i>Personal profile of participants</i> .....	Page 43
◦ <i>Business profile of participants</i> .....	Page 44
◦ <i>The website profile</i> .....	Page 45
4.2 Importance of e-commerce .....	Page 46

◦ <i>Why do people start online businesses?</i> .....	Page 46
◦ <i>Benefits of online business</i> .....	Page 48
◦ <i>The downside of online business</i> .....	Page 48
◦ <i>Characteristics of online SMEs</i> .....	Page 50
◦ <i>Importance of e-commerce and e-business</i> .....	Page 51
◦ <i>Additional issues to emerge from the importance of online business</i> .....	Page 52
4.3 Underlying business ethics of the participant SME owner-manager .....	Page 53
◦ <i>Underlying values</i> .....	Page 54
◦ <i>Risk tolerance of the participant owner-manager</i> .....	Page 54
◦ <i>Additional issues to emerge from the underlying business ethics of the participant owner-manager</i> .....	Page 55
4.4 Ethics and e-commerce .....	Page 55
◦ <i>Key online issues from the owner-manager perspective</i> .....	Page 55
◦ <i>Two key online ethical issues of the owner-manager (from an owner perspective)</i> .....	Page 56
◦ <i>Two key online ethical issues of the owner-manager (from a customer perspective)</i> .....	Page 57
◦ <i>Privacy / security issues and online business</i> .....	Page 58
◦ <i>Intellectual property issues and online business</i> .....	Page 60
◦ <i>Additional issues to emerge from online issues from an ethical perspective</i> .....	Page 61
◦ <i>The next chapter</i> .....	Page 62
<b>Chapter 5: Discussion</b> .....	<b>Page 63</b>
5.1 Introduction .....	Page 63
5.2 Importance of e-commerce .....	Page 64
◦ <i>The online business environment</i> .....	Page 64
◦ <i>Increasing online competition</i> .....	Page 66
◦ <i>Influence of TradeMe</i> .....	Page 69
◦ <i>Why do people start online businesses?</i> .....	Page 70
5.3 Underlying business ethics of the participant SME owner-manager .....	Page 71
◦ <i>The trait approach</i> .....	Page 71
5.4 Ethics and e-commerce .....	Page 74
◦ <i>Privacy issues and online business</i> .....	Page 75
◦ <i>Security issues and online business</i> .....	Page 77
◦ <i>Intellectual property (IP) issues and online business</i> .....	Page 80
◦ <i>Relationships and online trust</i> .....	Page 82
◦ <i>The next chapter</i> .....	Page 85
<b>Chapter 6: Conclusions</b> .....	<b>Page 86</b>
◦ <i>Ethical complexity and change</i> .....	Page 86
◦ <i>Legislative attentiveness</i> .....	Page 87
◦ <i>Stakeholder influence</i> .....	Page 87
◦ <i>E-commerce integration and ethical awareness</i> .....	Page 88
◦ <i>Thought versus action</i> .....	Page 89
6.1 Potential areas for further research .....	Page 90
6.2 Final thoughts .....	Page 91
<b>Reference list</b> .....	<b>Page 92</b>

## Appendices

Appendix 1:	Participant's information sheet. ....	Page 106
Appendix 2:	Participant's consent form .....	Page 107



## List of figures

Fig. 1:	Development of the research question .....	Page 5
Fig. 2:	The literature framework .....	Page 7
Fig. 3:	The stages of growth for e-business model.....	Page 24
Fig. 4:	The research framework.....	Page 29
Fig. 5:	Themes of participant responses .....	Page 46
Fig. 6:	Factors that influence e-commerce ethics .....	Page 63



## List of tables

Table 1:	Number of NZ enterprises by size (February 2006) ..	Page 4
Table 2:	Theories of ethics .....	Page 10
Table 3:	Top ethical issues with e-commerce .....	Page 14
Table 4:	Stages of data analysis .....	Page 38
Table 5:	Personal profile of participants .....	Page 43
Table 6:	Business profile of participants.....	Page 44
Table 7:	Benefits for SMEs e-commerce adoption .....	Page 65

## Chapter One – Introduction

*“Modern business is on the precipice of a paradigm change, one of a magnitude likely never before experienced. This new business paradigm is e-commerce”.*  
(Kracher & Corritore, 2004, p.71).

### 1.1 Background to the research

#### **The importance of the Internet**

The advent of the Internet has created a raft of new opportunities for businesses (Levy & Powell, 2003; Standing & Benson, 2000), and in particular opportunities for smaller businesses (Daniel, Wilson & Meyers, 2002; Poon & Swatman, 1997). Recent statistics support this assertion with 93% of NZ businesses using computers and 91% of businesses using the Internet (MED 2007). From a small business perspective the figures are 92% and 89% respectively (MED 2007). These figures imply that many businesses (both large and small) are acknowledging the importance of technology, and integrating computers and the Internet into their business. The level of Internet integration can vary markedly however, with some firms opting to have a static online presence, whilst others may have some level of e-commerce integrated into their business (McKay & Marshall, 2004).

These Internet opportunities were highlighted by Rappa (2001) who illustrated many types of business models that have evolved as a result of the Internet. These business models present opportunities for ‘new’ businesses as well as existing ‘bricks and mortar’ businesses to integrate an e-commerce or e-business facet into the business (Levy & Powell, 2003; McKay & Marshall, 2004). As such, today’s businesses can either be ‘bricks and mortar’ businesses, online businesses, or a combination of both. As a result, a real crossover is starting to emerge between traditional ‘bricks and mortar’ businesses and e-commerce (Stead & Gilbert, 2001). One prominent NZ example of this crossover is TradeMe, which since 2002 has created business opportunities for thousands of people and businesses, with some people supplementing existing businesses and others starting brand new ventures (Stock, 2007).

From a small business perspective, the Internet has also allowed smaller businesses to compete more readily with larger businesses (Al-Qirim, 2005; Dholakia & Kshetri,

2004; Schlenker & Crocker, 2003; Levenburg, 2005), especially in terms of customer reach and communication (O’Keefe, O’Connor & Kung, 1998; Poon & Swatman, 1997). Recent research also suggested that SMEs use of information and communication technology (ICT), which incorporates the use of the Internet, improved business responsiveness to customers and made business processes more efficient (MED, 2007).

But why do some small businesses adopt the Internet whilst others do not? This is a dominant theme in the literature with many studies investigating reasons why SMEs adopt the Internet (Daniel et al., 2002; Martin, 2005) whilst others studies focus on the barriers to SME Internet adoption (Fillis, Johansson and Wagner, 2003; Riemenschneider & McKinney, 2002; Stockdale & Standing, 2004). Key reasons reported for adopting the Internet include trying to gain competitive advantage (Quayle, 2002; Stead and Gilbert, 2001) and cost savings (Barry & Milner, 2002; Schneider, 2006). Some barriers to Internet adoption include limited resources (Riemenschneider & McKinney, 2002), the influence of the owner-manager (Beckinsale, Levy & Powell, 2006), and security issues (Kaynak, Tatoglu & Kula, 2005).

One thing however, that has not changed as a result of the Internet is the fact that businesses must behave ethically for long-term business success (Fritzsche, 1991). As Spence (2003) noted, online businesses must still understand right from wrong. As more and more businesses are embracing e-commerce and e-business opportunities (Martin, 2005) this has meant that ethical concerns stemming from the use of technology (and the Internet) have grown in importance in recent years (Calluzzo & Cante 2004; Stead and Gilbert, 2001).

As trading on the Internet is a relatively new phenomenon, a significant question arises from studying online ethics: Does online ethics actually constitute a new type of business ethics? (Spence, 2003). Or, is it simply a manifestation of traditional business ethics? (Kracher & Corritore, 2004). This research adopts the second perspective as the researcher takes the view that traditional business ethics and ethical behaviour still apply to online businesses, albeit in a slightly different way. As an example, e-commerce attracts intellectual property (IP) issues similar to traditional

businesses (e.g. copyright infringements), but because of the ubiquity and complexities of trading online, new legislation is required to cater for the online environment.

### **Ethics and online businesses**

Traditional studies of business ethics have focused primarily on ‘bricks and mortar’ businesses not on online businesses, or businesses with an Internet presence. Online ethics however, represents a stream of study that has emerged over the last few years and examines the impact that technology (such as the Internet) has on ethical behaviour (Fassin, 2000; Fassin, 2005; Hall & Rosson, 2006).

With such research, particular attention is given to the protection of customer data and information privacy (Bowie & Jamal, 2006; De George 1999; McCarthy, 2006; Sarathy & Robertson, 2003; Schneider, 2006) and security with online transactions (DeFago & Bockanic, 2006; Miyazaki & Fernandez, 2001). This is further illustrated by such studies that look at the issues with online shopping (Cheung & Lee, 2001; Grabner-Kraeuter, 2002; Roman, 2006), and business practices such as cookies and spam (Havelka & Neal, 2006; Palmer, 2005). Intellectual property issues are also becoming more prominent (Maury & Kleiner, 2002; Suter, Kopp & Hardesty, 2006).

The link between privacy and security is acknowledged by Shaw (2001) who also suggested that maintaining online trust and good relationships was a key way for businesses to address some of these online ethical issues. The faceless nature of the Internet however, creates difficulties for relationship-building (Durkan, Durkin & Gillen, 2003), and creates elements of distrust between online customers and businesses (Lee & Turban (2001). According to Spence (2003) the Internet has also altered the ‘social glue’ between humans.

The ethical issues with trading online are also attracting media attention. As an example, Kershaw (2007) highlighted the challenge of online security for SMEs and implied that security issues will become increasingly important in the future. In another example, recently introduced anti-spam legislation, which came into effect on the 5<sup>th</sup> of September 2007, is now impacting on individuals and businesses in an international context (“Anti-spam unit”, 2007).

This increase in the awareness of online ethics has been mirrored by an increase in the academic literature, and this is likely to remain the case in the foreseeable future, as both e-commerce and e-business activities are expected to be a principal method of communication and commerce over the coming years (Waclauski, 2000, in Stead and Gilbert, 2001). It is important to acknowledge however, that there is academic consensus that more research into online ethics must be undertaken (Bush, Ferrell, Bush & Ferrell, 2003; Kracher & Corritore, 2004). This need to gather more research into online ethics is a key driver underpinning this research.

### **The importance of SMEs**

The importance of SMEs to an economy has been highlighted by many academics in recent years. In New Zealand, Massey (2005) asserted that “the importance of small firms is recognised and the contribution that the small firms sector makes to the economy is valued” (p. vi). Recent statistics support this assertion as over 99.4% of the 346,000 businesses in NZ (excluding farms) have less than 100 employees, whilst 96.4% of businesses have twenty employees or less. This leaves less than 2,000 larger businesses that have 100+ employees (MED, 2007). The following table highlights these figures.

*Number of NZ enterprises by size: February 2006*

Number of employees	Number of businesses	% of total businesses	Cumulative %
No employees	219,964	63.6%	63.6%
1-5 employees	80,607	23.3%	86.8%
6-9 employees	18,015	5.2%	92.1%
10-19 employees	15,090	4.4%	96.4%
20-49 employees	8,172	2.4%	98.8%
50-99 employees	2,309	0.7%	99.4%
100-499 employees	1,615	0.5%	99.9%
500+ employees	319	0.1%	100.0%

*Table 1: MED, 2007*

An SME is defined differently from country to country which means that direct comparison of academic studies can be difficult. As an example, in Australia businesses with less than 200 employees are considered SMEs, whereas in UK it is less than 250 employees, and in NZ less than 20 employees (MED, 2007). For the

purpose of this NZ research, the researcher adopts the view that SMEs employ 100 or fewer people (Cameron & Massey, 1999).

## 1.2 The research question and research objectives

The drivers that have been outlined in the previous paragraphs, specifically the importance of the Internet and e-commerce, the importance of SMEs to an economy, and the growing awareness of online ethics, provide a foundation for the development of the research question and objectives. Combining these drivers then, this research will investigate SME owner-manager perceptions of online ethical issues, and explore their online business practices.

As Maxwell noted the research questions are at the “heart of the research design” (1996, p.49) and outline specifically what the researcher wants to understand by undertaking the study. The following diagram uses the initial stages of Cavana, Delahaye and Sekaran’s (2001) research process framework and illustrates the development of the overarching research question and underlying research objectives.

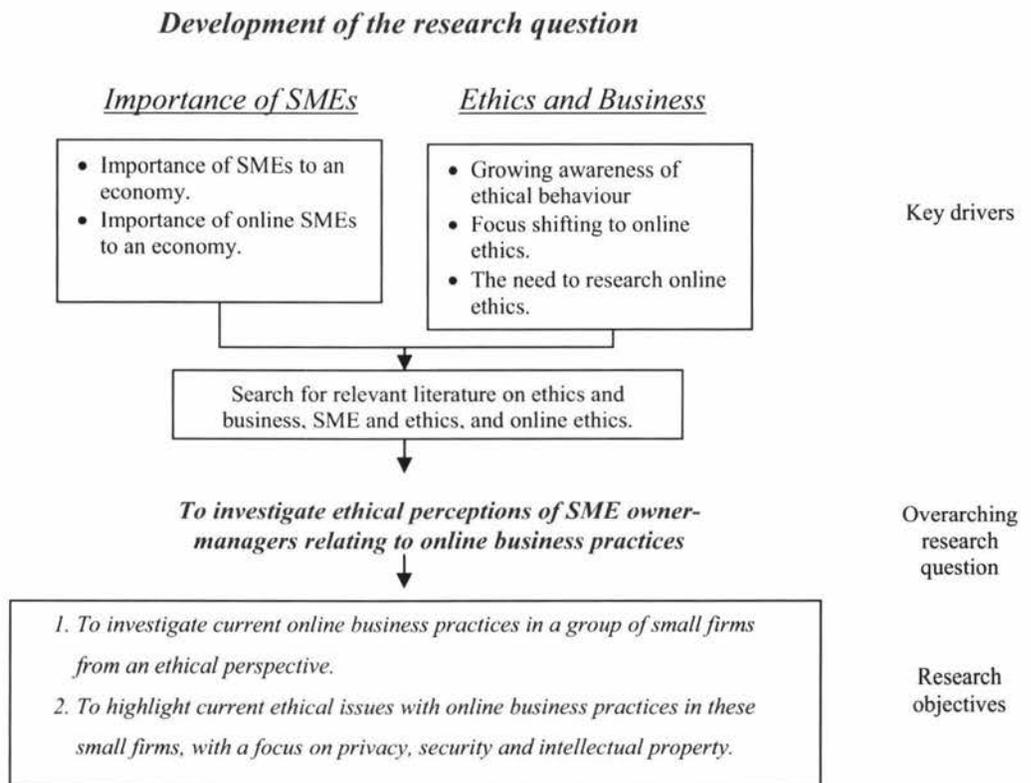


Fig. 1: Adapted from Cavana et al. (2001)

### 1.3 Thesis structure

This chapter presented the background to the research, outlined the rationale and key drivers for undertaking the research, and highlighted the research question and research objectives.

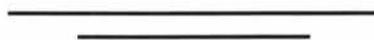
Chapter two presents the literature review which is broken down into four key areas: (1) ethics and business; (2) online business ethics; (3) online business practices and ethical issues; and (4) business ethics and SMEs.

Chapter three outlines the justification for the research design and illustrates the research framework that was used for the study. This framework describes the theoretical perspective and methodology, as well as addressing ethics, data analysis and research validity.

Chapter four summarises the results from the field research. The results are grouped into four main themes: (1) profiles of the participants and their business; (2) importance of e-commerce; (3) underlying business ethics of the participant SME owner-manager; and (4) online issues from an ethical perspective.

Chapter five discusses the findings outlined in chapter four. The discussion is broken into three main themes: (1) importance of e-commerce; (2) underlying business ethics of the participant SME owner-manager; and (3) online issues from an ethical perspective.

Chapter six makes five main conclusions as a result of the findings and discussions. These conclusions relate to ethical complexity and change, legislative attentiveness, stakeholder influence and, e-commerce integration and ethical awareness. The last conclusion considers issues relating to thought versus action. Potential areas for further research are also identified.



## Chapter Two - Literature review

*“Moral standards are the yardsticks of business ethics”.*  
(Fritzsche, 1997, p.42).

### 2.1 Introduction

This literature review is influenced by Hart (1998) who noted that, “the key objective that all reviews share is to provide a clear and balanced picture of current leading concepts, theories and data relevant to the topic or matter that is the subject of the study” (p.175). Given the overall aim of this thesis, and the key drivers outlined in chapter one, literature relating to ethics and business, online business ethics, ethics and online business practices, and business ethics and SMEs will be explored. Though not exhaustive, this literature review will canvas some key issues in these four inter-related categories.

Two main frameworks are used in this chapter with the first being a literature framework. The second framework is focused on online business practices, and uses two of four dimensions put forward by De George (1999), specifically privacy and intellectual property (IP). Literature related to online trust is also examined due to its close relationship with privacy (Shaw, 2001).

#### The literature framework

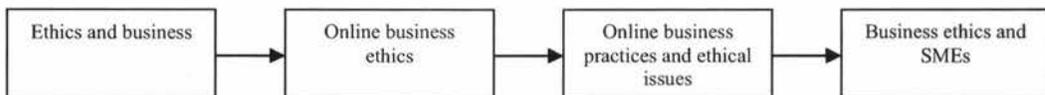


Fig. 2

With the intention of gaining an understanding of what constitutes ethical business practice, literature relating to business ethics and ethical theories will be explored. The researcher will then examine ethical literature relating to online businesses, and then more specifically ethical issues with online business practices. The majority of literature tends to focus on larger businesses rather than SMEs, but a lot of the underlying ethical considerations would apply irrespective of the size of the business. However, the researcher makes every effort to differentiate between smaller and larger businesses. Finally, topical literature on SMEs and business ethics is reviewed.

## **2.2 The challenge for businesses**

One of the main challenges for businesses is to find new opportunities (and channels) to market their products and services in an attempt to gain some form of competitive advantage (Porter, 2001). The advent of the Internet has created a myriad of new opportunities for businesses (Riemenschneider & McKinney, 2002), and the literature reveals a trend of both recognising the growing importance of these online businesses to society (Levy & Powell, 2003), and a realisation that e-commerce and e-business are in some cases replacing traditional ways of doing business (Stead & Gilbert, 2001). The fact that more and more businesses are embracing these e-commerce opportunities, has meant that ethical concerns from using technology in business, and ethical concerns over online business practices, have grown in importance in recent years (Calluzzo & Cante 2004; Hall & Rosson, 2006; Stead & Gilbert, 2001).

This ensuing relationship between ethics and technology is an important discussion point when considering online business today (Fassin, 2000; Martin & Freeman, 2004; Miles, Munilla & Covin, 2004). Schneider commented that “web businesses are finding that ethical issues are important to consider when they are making policy decisions” (2006, p.328). This comment implies that online businesses have ethical issues to consider by having an online presence and, this is likely to be a topical issue for years to come (Stead & Gilbert, 2001).

Some key ethical considerations of online businesses today include: the management of customer information, including privacy (Bowie & Jamal, 2006; De George 1999; Sarathy & Robertson, 2003); security with online transactions (Iyengar, 2004; Miyazaki & Fernandez, 2001); advertising and marketing practices (Laczniak & Murphy, 2006); and, IP issues (Maury & Kleiner, 2002; Suter, Kopp & Hardesty, 2006). Before exploring some of these online issues in more detail we must first gain a general understanding of what constitutes ethical business practice.

## **2.3 Ethics and business**

Schostak (2006) noted that ethics require some sort of commitment to universal categories concerning the true, the good and the right. Marshall (1999) had the view that ethics are in fact guidelines that “influence human social behavior in a manner intended to protect and fulfill the rights of individuals in a society” (p.82). But, how

are these definitions applied in a business context? A popular approach adopted by academics is that ethics involves the moral values and behavioural standards of business people as they go about their daily business activity (Scarborough & Zimmerer, 2006), which according to Wheelan and Hunger is a "... consensually accepted standard of behaviour" (2002, p.43). These definitions imply that business ethics are very much about businesses doing the right thing (Baase, 1997), and all about "understanding right from wrong" (Spence, 2003, p.134).

Researchers attempt to illustrate ethical business behaviour on a scale, or as a continuum. Wheelan and Hunger (2002) offered three generic approaches to ethics; a utilitarian approach; an individual rights approach; or, a justice approach. Scarborough and Zimmerer (2006) took a slightly different approach, when they suggested that there are three differing levels of ethical standards; the law (which establishes a minimum level of behaviour); organisational policies and procedures (i.e. specific guidelines); and, the moral stance. Baase (1997) made an interesting point regarding ethics and the law when she stated "that while it is not ethically obligatory to obey all laws, that is not an excuse to ignore laws, nor is a law (or lack of law) an excuse to ignore ethics" (p.340), which suggested a definable link between law and morality.

Any business will normally apply a combination of one, or several, of these approaches depending on the issue at hand. As such, the approach chosen will be predominantly context dependant, and will also depend on the business owner's worldview. Brody had a similar opinion and suggested that ethics are "value driven, action oriented and determined by the situation" (2006, p.39). Cheesman (2007) combined and extended all these different definitions and suggested five ethical categories: ethical fundamentalism, utilitarianism, Kantian ethics, Rawl's social justice theory and ethical relativism. It is important to recognise however, that in reality some of these categories crossover and, that it is also difficult to pigeon hole some situations into a particular category.

These five categories outlined by Cheesman (2007) are summarised on the following page:

**Theories of Ethics**

<b>Theory</b>	<b>Description</b>
Ethical fundamentalism	<i>Persons look to an outside source (e.g. Bible or Koran) or central figure for ethical guidelines.</i>
Utilitarianism	<i>Persons choose the alternative that would provide the greatest good to society.</i>
Kantian ethics	<i>A set of universal rules establishes ethical duties. The rules are based on reasoning and require (1) consistency in application and (2) reversibility.</i>
Rawl's social justice theory	<i>Moral duties are based on an implied social contract. Fairness is justice. The rules are established from an original position of a "veil of ignorance".</i>
Ethical relativism	<i>Individuals decide what is ethical based on their own feelings as to what is right or wrong.</i>

*Table 1: Cheesman (2007, p.190)*

All these different definitions and categories imply that ethical issues in business are often complex, especially as these issues are often exacerbated by the dilemmas or tradeoffs (Hodgetts and Kuratko, 1998) that business-owners face. This complexity raises the notion that there are several misconceptions (or assumptions) about ethics in business. Hodgetts and Kuratko (1998) outlined three such misconceptions. The first was that profit and morality are not necessarily compatible, i.e. success is sometimes measured by wealth, "but wealth tends to corrupt individuals" (p.361). The second misconception was that all ethical problems have simple solutions based on right or wrong answers. The problem here is that the real world is often a complex (De Wit & Meyer, 2004) and chaotic place (Black, 2000; Tetenbaum, 2002) that rarely has simplistic solutions. The third misconception outlined by Hodgetts and Kuratko (1998) was that ethics is simply a matter of compliance with laws or regulation. As Scarborough and Zimmerer (2006) highlighted, people's moral stance (and ethical behaviour) relating to morals and/ or social justice may well clash, or at very least overlap when complying with laws and regulations.

Why then do people in business make unethical decisions? A central theme derived from the literature suggested that greed is a key driver for unethical behaviour (Fassin, 2005; Miles et al., 2004). Three key dimensions are outlined by Levicki et

al.; “first, greed and the pursuit of profit; secondly, the nature of the competition and the desire to beat the other party in a competitive environment; and, thirdly the need to insure or restore some standard of justice that may have been violated” (1994, p.379-404, in Fassin, 2005, p.271). Maxwell outlined three different reasons why people make unethical business decisions: firstly, they do what is most convenient, secondly, people do what they must do to succeed, and thirdly, people rationalise their choices with relativism (1993, in Brody, 2006).

Today’s hypercompetitive business environment (D’Aveni, 1994) presents a real challenge for businesses to do the right thing, and to make ethical business decisions. Some significant questions arise as a result of the environment: what are people’s perceptions about ethics in business today? Have they changed over the years? (Longenecker, Moore, Petty, Palich & McKinney, 2006). Do technological advances (i.e. the new environment) bring with it a new series of ethical challenges? (Kracher & Corritore, 2004). These questions are particularly relevant given the importance that businesses place on e-commerce and e-business (Schneider, 2006; Stead & Gilbert, 2001).

## **2.4 Online business ethics**

In addition to normal business issues, the Internet brings with it a series of ethical challenges for business owners. Palmer (2005) noted that the growth of e-commerce has brought with it an increase in ethical (or unethical) business practices such as pop-up’s cookies and spam, and that these online business practices “have raised concerns on the part of Internet users” (p.271). Fassin (2000) noted that recent year’s have seen an increasing number of innovative technology based businesses, and that these companies face ethical issues relating to “intellectual property rights, insider information and raising money” (2000, p.193).

As mentioned previously Kracher and Corritore (2004) see online ethics as a manifestation of traditional ethics whilst others see it as a completely new framework. But, irrespective of the stance most academics agree that there are ethical issues specific to the Internet (Spence, 2003). These ethical issues are reflected in the way that the business actually carries out its daily operations, be it marketing and

advertising (Zinkhan & Watson, 1996), or the way they manage confidential customer information (Jamal, Maier & Sunder, 2002; Miyazaki & Fernandez, 2001).

It is useful to consider at this point a notion of 'ethical lag', whereby the sheer pace of technological development has meant that changes in ethical behaviour have not quite caught up with the change in technology. As Marshall (1999) noted "...the gap between the development of technologies and the development of corresponding ethical guidelines for their use may be widening, as the speed of technology development accelerates without corresponding acceleration in the mechanisms for developing social consensus" (p.86). This notion that 'ethical lag' has created a gap (or void) between ethical business behaviour and current technology then raises some topical questions for SME owner-managers. Do they actually subscribe to this particular notion? If not, why not? And, if they do, then what are they doing about managing its impact on their business? Along these lines Hall and Rosson (2006) examined "entrepreneurial opportunities and ethical dilemmas presented by technological turbulence" (p.231) and concluded that the emergence of these newer technologies have changed the rules of the game, and the challenge for management is whether "current managerial approaches are capable of dealing with this increasingly important dynamic" (p.245). This conclusion suggests a lag between current management practices and technology, in a similar way to the ethical lag noted by Marshall (1999).

This lag is likely to be a problem in the future as there is general recognition in the literature that ethical issues will evolve as e-commerce evolves (Stead & Gilbert, 2001). McKay and Marshall (2004) suggested that ethical issues such as privacy, will be exacerbated by improvements in "mobile devices and applications" (p.319) implying that new ethical concerns will evolve with technology. There is an opportunity then to use research (such as this study) to identify and close this knowledge gap.

## **2.5 Online ethics and business practices**

### **E-commerce and e-business**

There are different levels of Internet integration for an online business and it is useful to see these in the form of a continuum. On the one hand a business may have a very

basic integration of Internet technology, such as static web page, that primarily provides information to customers (and potential customers). At the other extreme, a business may employ complex Internet technologies such as intranet and extranet, and have these deeply imbedded in the day-to-day business.

E-commerce and e-business are two of the more common levels of trading online that sits between these two extremes and the definitions of each are wide and varied. E-commerce and e-business as a business term are often interchanged (Schneider, 2006) and to some academic commentators the terms are synonymous (Jackson & Eckersley, 2003). But, as McKay and Marshall (2003) noted there is a succinct distinction between the two categories. In essence, e-commerce is where there are “commercial transactions mediated via the internet” (p.4). Standing and Benson (2000) used a similar definition of e-commerce, but, extended it slightly by adding in online exchange of “money within firms, and between firms and their customers” (p.227). Goods and services bought and sold over the Internet would fall into the e-commerce category. E-business on the other hand is broader “and includes the use of internet based technology to support commerce and improve business performance” (McKay and Marshall, 2003, p.5). The use of intranet to assist with communication is an example of e-business activity.

It is important to recognise that e-commerce or e-business is becoming a part of everyday life for many consumers and businesses and is “infiltrating the very fabric of our society” (Kracher & Corritore, 2004, p.71). As Nash noted, over the next five-to-ten years, common consumer activities (including grocery and clothes shopping) will shift to the web (2000, in Stead & Gilbert, 2001), and more businesses are starting to realise that they have to have an online presence to survive (McCollum, 1998). It is also important to recognise that e-commerce and e-business models are not only implemented to increase a company’s revenue, but may also be used to reduce costs or improve customer service (Schneider, 2006).

Given that there are actual transactions taking place between customer and the business, or within the business itself (with both e-commerce and e-business), logic dictates that there are likely to be ethical issues involved with some of these business transactions. Logic also dictates that there are likely to be more ethical issues arising

as more and more Internet technology is integrated into the business. That is, a static webpage that primarily provides information to customers (and potential customers) may involve very little in terms of ethical considerations, whereas e-commerce and e-business may have more issues to consider, such as security issues around the storage and dissemination of customer information (Kelly & Rowland, 2000; Sipior, Ward & Rongione, 2003). Laczniak and Murphy (2006) noted that advances in technology have influenced online marketing in terms of ethics. This has placed such terms as “electronic cookies, spyware, spam... and data mining at the *forefront* of the ethical debate” (p.313, emphasis added).

Studying online ethical issues has become popular in recent times. The following table highlights the top ethical issues found in five recent academic articles. These articles use hypothetical case studies and analysis of previous academic publications as their primary data collection method. Despite the different methodological approaches of these studies, of particular interest is the conclusion that privacy and security issues are amongst the top ethical issues with e-commerce.

**Top ethical issues with e-commerce**

DeFago & Bockanic, 2006	Kracher & Corritore, 2004	Maury & Kleiner, 2002
<ul style="list-style-type: none"> <li>○ Privacy</li> <li>○ Security</li> <li>○ Legal liability issues</li> </ul>	<ul style="list-style-type: none"> <li>○ Access</li> <li>○ Intellectual property</li> <li>○ Privacy and Informed consent</li> <li>○ Protection of children</li> <li>○ Security of information</li> <li>○ Trust</li> </ul>	<ul style="list-style-type: none"> <li>○ Financial reporting</li> <li>○ Intellectual property</li> <li>○ Privacy</li> </ul>

Stead & Gilbert, 2001	De George, 1999
<ul style="list-style-type: none"> <li>○ Privacy</li> <li>○ Security</li> <li>○ Conflicts of interest</li> <li>○ Disintermediation</li> </ul>	<ul style="list-style-type: none"> <li>○ Computer crime</li> <li>○ Responsibility for computer failure</li> <li>○ Protection of computer property, records and software.</li> <li>○ Privacy of the company, workers and customers.</li> </ul>

*Table 3: Top ethical issues with e-commerce*

To consider the different ethical issues that face businesses in terms of their online business practices we adopt two of the constructs offered by De George (1999):

privacy and protection of computer property, records and software property (or IP). We also examine security as an offshoot of privacy, as well as online trust.

### **Privacy of the company, workers, and customers**

As outlined by De George (1999), privacy and computers fall into two main categories; Privacy related to information (principally customer information), and privacy within the workplace, (primarily relating to staff and their privacy). From an e-commerce and e-business perspective we are mainly concerned with the first category, specifically what the company does in terms of obtaining customer information, how the company stores this information, and what the company actually does with the information. Overarching these three considerations is the security factor. How secure is customer information within the business?

Privacy is one of the key ethical issues with online businesses (Hemphill, 2002), and due to the ubiquitous use of computers and sharing of personal information, maintaining privacy has become a difficult proposition (Peslak, 2005). This is exacerbated by the fact that “the issue of online privacy is continuing to evolve as the Internet and the Web grow in importance as tools of communication and commerce” (Schneider, 2006). There is no doubt that technology has improved business practices such as market segmentation and target marketing, but these marketing tools often invade customer privacy (Foxman and Kilcoyne, 1993). As such, consumer’s issues with online privacy are often seen as huge inhibitor to e-commerce and e-business (Hemphill, 2002).

A key element of privacy is the level of control that an individual has, which in essence is control over “information about oneself, including when, how, and to what extent this information is communicated to others” (Westin, 1967, in Jamal, Maier & Sunder, 2002, p.288). This definition can be extended to the Internet and in this context “can be defined as the seclusion and freedom from unauthorized intrusion” (Dhillon & Moores, p.33), i.e., how confidential and secure is the information? The control of personal information, its storage and ultimate dissemination are key aspects of this privacy issue. As Foxman and Kilcoyne (1993) noted there are two major ethical conflicts relating to marketing practice and consumer privacy:-

1. Discrepant views between businesses and consumers about who should control consumer information, and
  2. Friction between consumer privacy and other consumer or business entity rights.
- (1993, p.108).

As with any emotive issue some people are more concerned about Internet privacy than other people. Sheehan's (2002) study of online users found that users can be segmented into 4 different categories according to their privacy concerns. The first group was called 'unconcerned Internet users', who displayed little concern with online privacy, the second group was called 'circumspect Internet users', who also had little concern but there were some circumstances where they are a bit more wary. The third group 'wary Internet users', have a moderate level of concern, and high in certain circumstances, whereas the fourth group 'alarmed Internet users' tended to have higher levels of concerns.

The interesting point about Sheehan's study is the linking of demographics into these four categories, particularly education and age. The following summarises Sheehan's (2002) results:

---

*Unconcerned Internet users:* Older than average, tend to have a lower education i.e. bachelors education or less.

*Circumspect Internet users:* Younger than average, tend to have a lower education.

*Wary Internet users:* Younger than average, but better educated.

*Alarmed Internet users:* Older than average, but better educated.

---

This information is useful from a business owner perspective as they could conceivably create different strategies for each particular group. A large assumption of course is that customers can be segmented into these different groups. Of particular concern to the owner of a firm would no doubt be the 'wary and alarmed Internet users' particularly if the demographics of the company's customers were considerable in these categories.

The notion that different strategies exist is supported by Sarathy and Robertson's (2003) view that depending "on the scenario and the ethical frame that a firm follows

a number of plausible privacy strategies exist” (p.121). They outlined a model for developing a privacy policy and used an ethical framework similar to the one outlined by Cheesman (2007). In essence, Sarathy and Robertson’s (2003) work highlighted the fact that businesses need to take more of an ethical perspective, particularly if doing business online: “if firms do not develop an ethical perspective that balances their self-interest with the needs of society and consumers, they are likely to face increasing amounts of regulation” (p.124). This regulation may carry with it compliance costs that would be levied against the business, therefore, a more ethical stance would make sense from a financial perspective.

Zinkhan and Watson’s (1996) research highlighted some ethical questions related to privacy and advertising that were relevant to both large and small online businesses. These were as follows:-

- Do new communication media (e.g., database marketing) threaten to interfere with customers' rights to privacy?
  - Do new forms of communication (e.g., advertorials) confuse or deceive consumers?
  - Given that new business practices are bound to create ethical conflicts, how should these conflicts be resolved?
  - What are the ethical limits associated with advertising to children?
  - Is it ethical to advertise in a learning environment (e.g., in elementary schools)?
- (Zinkhan and Watson, 1996, p.170)

These questions are indicative of the width of the ethical challenges that businesses face if they are looking to advertise online, and specifically highlight some privacy issues.

Dhillon and Moores’ (2001) study identified five key findings regarding privacy and e-commerce: (1) that companies should not sell personal information; (2) adequate measures should be in place to prevent theft of personal information by a third party; (3) eliminate the chance of losing personal files; (4) maximise security to deter hackers from destroying the data; and, (5) eliminate spam (p.35). These findings draw a parallel with De George’s (1999) framework outlined earlier in this section, particularly the link with online security issues. It is important to acknowledge at this

point that trust is a key ethical consideration for online businesses, and is a construct that is closely aligned with privacy and security (Shaw, 2001).

### **Online trust**

Trust is a business concept frequently aligned with good business practice, which according to Budd and Clear (2003) is a key concept “in the contemporary business environment” (p.24) and from an Internet perspective is “essential for sustaining the basis of e-commerce and e-business” (p.27). Trust is particularly important if the company is relatively new, and is trying to develop a brand, or trying to sell a new product or service online (Schneider, 2006). Schneider (2006) added that this “inherent lack of trust” with online trading is understandable as it follows the “well-founded tradition of distrusting strangers” (p.33). This distrust is also exacerbated by the faceless nature of the Internet (Lee & Turban, 2001; Kracher & Corritore, 2004). Some studies have also noted a correlation between trust and risk. Lee and Turban (2001) outlined this correlation:

In the context of Internet shopping, risk is a relevant situational parameter in that (1) there is uncertainty about the outcome of an Internet shopping transaction, (2) the outcome depends on the behavior of the Internet merchant, which is not within the consumer’s purview and control, and (3) the harm of an undesirable outcome may be greater than the benefits of a successful outcome (p.78).

Consumers accept (or perceive) a given risk when purchasing most goods and services, but online purchasing is perceived as a slightly higher risk and consumers are not as trusting with the transaction (Doolin, Dillon, Thompson & Corner, 2005). This lack of trust is one of the most cited reasons for people not transacting on the Internet (Cheung & Lee, 2001; Lee & Turban, 2001; Grabner-Kraeuter, 2002; Roman, 2006). Bart, Shankar, Sultan and Urban (2005) suggested that online trust includes consumer’s perceptions on how the website will deliver to expectation, how believable the site is, and how confident the consumer is in the actual information on the company website.

An extension of Lee & Turban’s (2001) views are noted by Doolin et al., (2005) who suggested that there are three main reasons for consumer distrust when using the Internet for e-commerce: product risk, security risk, and privacy risk. The first reason

is uncertainty about the good or service being offered on the Internet (Grabner-Kraeuter, 2002; Doolin et al., 2005). The fact that the customer cannot examine, touch, or feel the product adds uncertainty to the perceived risk (Lee & Turban, 2001). The second reason is related to the actual medium being used (Grabner-Kraeuter, 2002). How comfortable are consumers in using the Internet to pay for goods and services? And, how much do they trust putting their personal details (and potentially credit card details) onto the Internet? Interestingly, Mitnick and Simon (2002) proposed that a conman will gain trust as a key to deceiving security mechanisms that may be in place in the business. This suggests that the gaining of trust can be utilised in both a positive and negative way with an online business. The third reason for consumer distrust is consumer privacy (which was discussed earlier in this chapter). As Dhillon & Moores (2001) noted consumer privacy is one of the main issues when considering ethical behaviour and online business practices and is a fundamental objective of e-commerce.

Liebermann and Stashevsky's (2002) research used 9 perceived risk elements ranging from Internet usage addiction to Internet credit card stealing. They received survey responses from 465 different individuals and concluded that credit card stealing and supplying personal information were amongst the strongest perceived risk elements of shopping online. Bart et al., (2005) also raised customer characteristics as a determinant of online trust. They included familiarity with the web site, online savvy/experience, Internet shopping experience, and online entertainment, or chat experience as categories that will influence online trust. Lee and Turban (2001) also highlighted demographic variables such as "sex, age and Internet experience" (p.81) as having a bearing on consumers trust in Internet shopping.

What then can businesses do about minimising or eliminating this perceived risk? Grabner-Kraeuter (2002) suggested three different categories of instruments that online businesses can use to increase trust between the customer and the business: information policies, guarantee policies, and reputation policies. These are summarised as follows:

Information policies: aim to invoke trust between the consumer and the business by “applying various communicative measures such as advertising, direct marketing and public relations”.

Guarantee policies: “comprise different instruments that guarantee compensation payments in a case of damages such as taking back guarantees and warranties”.

Reputation policies: aim to invoke trust between the consumer and the business by “applying various communicative measures such as advertising, direct marketing and public relations”.

(Grabner-Kraeuter, 2002, p.47).

Key questions to ask businesses then is how do they address these privacy, trust and security issues? For privacy and trust, it is imperative that online businesses have good online privacy policies (Caudill & Murphy, 2000). Schneider (2006) suggested that some companies use an “opt-in policy, in which the customer must take an action to permit information collection, or an opt-out policy in which the customer must take an action to prevent information collection” (p.339). Securing and storing personal information is also critically important, and security measures such as firewalls, networks, cryptography, and secure socket layer authentication are some mechanisms that companies adopt to minimise security issues (Patel, 2003). In addition to the external policies businesses must also ensure that they have robust internal policies as “the *human factor* is truly security’s weakest link” (Mitnick & Simon, 2002, p.3, emphasis added). This human element was also noted by Woodbury (2004) when he suggested that “security systems fail because users are humans” (p.71).

### **Intellectual property (IP)**

IP is normally a valuable part of a business, and is sometimes defined on a balance sheet as an intangible asset. It can include such things as “copyright, design rights, trademarks and patents” (Wadsworth, 2003, p.177). From an online perspective even seemingly innocent inclusion of photographs on a web-page (let alone copying product designs) could lead to infringements of trademarks and violation of IP rights (Schneider, 2006). De George distinguished IP from other business assets by suggesting that IP is “significantly different from other types of property because it can be shared with others without losing part of it oneself” (1999, p.297). This

suggests that as soon as IP is lost it is pretty much irrecoverable. Mitnick and Simon, (2005) pointed out that most assets are replaceable in an organisation, such as computer hardware or even people, but if “someone steals your product designs, your customer list, your new-product plans, your R&D data – that would be a blow that could send your company reeling” (p.153). Thus, IP is a valuable commodity indeed.

Schneider (2006) highlighted that online business need to be very careful in their use of IP. He explained further;

Online businesses must take care to avoid deceptive trade practices, making false advertising claims, engaging in defamation or product disparagement, and violations of intellectually property rights by using *unauthorized* content on their Web sites or in their domain names.

(Schneider, 2006, p.319, emphasis added).

As far online businesses are concerned then, IP is a major ethical concern. The ubiquitousness of computers and the freedom with which information can be passed over the Internet has meant that the protection of IP is an obvious concern for businesses (Suter et al., 2006). This IP issue creates an ethical conflict between the actual sharing of the information (IP) and the actual payment for the IP. As Bowie (2005) remarked, “if society wants to induce creativity and entrepreneurship, it must provide financial protection for intellectual property so that inventions and the fruits of artistic creativity are forthcoming” (p.79).

This utilitarian approach however, is much more easily said than done, and actually creates debate between those people that have the view that some IP (such as computer software) should be open-source and available to anybody, and those people who believe that software should be copyright and subject to the appropriate IP legislation, such as Microsoft executives (Knapp, 2003). Bowie (2005) considered this debate, and concluded that IP copyright is warranted when it protects “artistic creativity” (p.88) but also acknowledged that IP is difficult to protect in an online context.

In summary, privacy, online trust and IP issues apply to larger and smaller businesses alike. But an exploration of the literature reveals that there is no real distinction

between large and small businesses when it comes to researching these online ethical issues. This may well be an area for future consideration. We will now examine some of the main themes that come out of the SME literature, specifically the literature related to business ethics and SMEs, and the reasons and barriers to SME Internet adoption.

## **2.6 Business ethics and SMEs**

Within the literature SME owner-managers and entrepreneurs are often interchanged as a term. This can make distinctions between large and small businesses difficult as entrepreneurial activity is not specifically confined to small businesses. With this point in mind, this study treats entrepreneurs as SME owner-managers and much of the literature on ethics and SMEs suggests that there are differences between large and small businesses when considering the manager's ethical behaviour (Bucar, 2001). Hannafey (2003) suggested that entrepreneurs often face ethical challenges that other larger organisations do not, such as finding "time and perspective for focused ethical reflection" (p.99). Hannafey (2003) added that these challenges are often complex, and include issues related to fairness, customer relationships and distribution dilemmas. Morris, Schindehutte, Walton and Allen noted that small business entrepreneurs are more vulnerable to environmental forces, and that these forces "often result in conditions that *encourage* or *justify* ethical compromises" (2002, p.333, emphasis added). Such compromises "include time pressures and cash shortfalls" (2002, p.333). Hodgetts and Kuratko (1998) called these compromises 'trade-off's', and suggested that these result in ethical dilemmas for the organisation. They added that such dilemmas included the need to balance success, measured predominantly by profit, against factors such as honesty and integrity. In a similar way to Hannafey (2003), Lahdesmaki's (2005) study suggested that the small business entrepreneurs have "unique ethical concerns" (p.65). The collective comments from these studies imply a distinction between the smaller and larger business owner in terms of their ethical considerations, and also suggest that the small business owner has unique ethical dilemmas to consider.

Vyakarnam, Bailey, Myers and Burnett (1997) outlined four main themes relating to these ethical dilemmas facing small business entrepreneurs. These are: the conflict of

personal values with business needs; the entrepreneur's perspective on business ethics; social responsibility; and, the actual business activity being undertaken. A key issue that this study highlighted was the influence that the SME owner-manager's personality has on ethical decision-making. Many scholars acknowledge that the differences between SME owner-managers and managers of larger businesses can be extended to this underlying personality and that these differences are major (Longenecker, McKinney & Moore, 1989a, 1989b; Hemingway, 2005; Humphreys, Robin, Reidenbach & Moak, 1993). One way of looking at these differences is by way of a stream of research known as the 'trait approach' (Gartner, 1989, in Teal & Carroll, 1999, p.231), and this approach is recognised as one of the most common ways to distinguish entrepreneurs from managers (Baum & Locke, 2004).

Two influential studies that examined differences between large and small businesses, and made interesting conclusions, are as follows: The first study was Longenecker et al.'s (1989a, 1989b) seminal study which involved a large scale survey of 10,000 participants. Sixteen business decisions were woven into the survey questionnaire which was returned by 2,229 participants. Though the results were inconclusive, the authors did conclude that "members of small businesses are far more demanding than permissive in their ethical attitudes" (1989a, p.31). In my view, this implies that small business owners may well adopt a higher ethical stance in their business dealings. Bucar (2001) made a similar implication by concluding that small business entrepreneurs display higher ethical behaviour than managers of larger businesses because of the higher equity stakes and higher risks that small business entrepreneurs take.

The second influential study was undertaken by Humphreys et al. (1993) who used a multi-disciplinary ethics measure to compare the ethical decision making process of small business owner/managers and their customers. In total, 103 customers and 96 small business owner/ managers, based in the USA, were asked to respond to four ethical scenarios. Humphreys et al. (1993) found many ethical similarities between the two groups, but also discovered some discrete differences in relation to lying and intentional deception. Humphreys et al.'s (1993) study also concluded that small business entrepreneurs were found to be more sensitive to societal expectations, as

well as being more critical of their own ethical performance than the general public. This last conclusion parallels conclusions made by Chrisman and Fry who suggested that smaller businesses “seem to be in touch with the expectations of society” (1982, p.26).

Thus, the majority of studies examined appear to agree that there is a difference in the ethical attitudes between large and small business managers. Most of the authors acknowledged however, that more research is required to fully understand the ethical behaviour of small business managers (Chrisman & Fry, 1982; Humphreys et al., 1993). To further explore this ethical attitude, and more specifically the attitude of the online SME owner-manager, we must firstly understand the owner-manager’s reasons for adopting the Internet. In addition, we must also look at the level of e-commerce integration in the business, as this may well influence the ethical considerations of the owner-manager.

### **SME Internet adoption**

The Internet has been primarily seen as a vehicle for marketing opportunities (Bush et al., 2003), as well as being a crucial tool for capturing new business (Chen, Haney, Pandzik, Spigarelli & Jesseman, 2003). Stead and Gilbert (2001) suggested that SMEs look to the Internet as a new way of gaining competitive advantage, something that is also noted by Quayle (2002). However, some SMEs elect to adopt the Internet and take advantage of these new business and marketing opportunities (Daniel et al., 2002; Poon & Swatman, 1997), whilst others are content to keep their ‘bricks and mortar’ operation and shy away from opportunities that the Internet offers (Stockdale & Standing, 2004). Even given this point the adoption rate has often been described as exponential (Hemphill, 2002) and the adoption rate by SMEs is “considered the fastest changing sector of e-commerce” (Rao, Metts & Monge, 2003, p.12).

With those SMEs that choose to adopt the Internet, it is useful to consider the ‘level’ to which they adopt it within the business, as there may well be a link between the level of adoption and the complexity of ethical issues that need to be considered. As an example, a small business with a web presence only, will probably not have the same level of ethical issues to consider than if they have e-commerce or e-business

fully integrated into their business operation. This integration of Internet technology into the business can be categorised neatly in the following diagram. The actual level of integration is very much a strategic decision (Levy & Powell, 2003) and the level depends on a number of internal and external factors (Fink, 1998), such as limited financial resources.

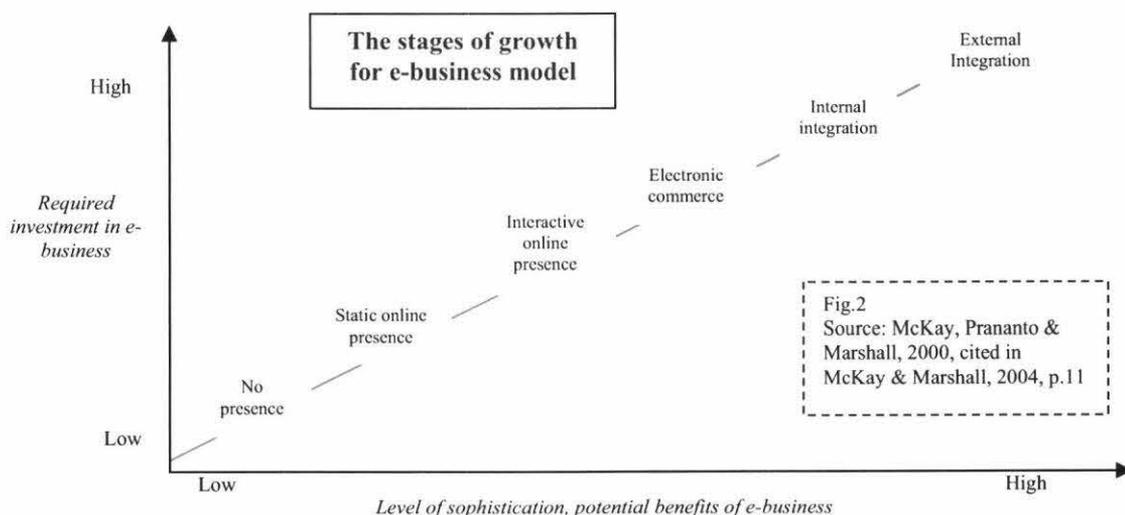


Fig. 3

As Figure 3 suggests there is an incremental element to integrating an online facet to the business, a strategy that is recommended for SMEs (Barbra-Sánchez, Martínez-Ruiz & Jiménez-Zarco, 2007). The level of required investment will increase as the exposure and level of sophistication increases. This incremental approach was highlighted by Chen et al's., (2003) study of a small traditional retailer which highlighted several critical success factors for adopting e-commerce. These were as follows:-

1. *Incremental e-commerce involvement*
  2. *Allocate resources wisely*
  3. *Outsource the development*
  4. *Change business process*
  5. *Study the customer*
  6. *Revise and evaluate results*
- (Chen et al., 2003, p.27)

There is however, some doubt about the benefits of e-commerce to some SMEs (Stockdale & Standing, 2004). Levy and Powell's study of 12 SMEs found that the

majority of SMEs “only perceive value in email and possibly a marketing website” (p.2003, p.174) i.e. the static online presence represented in Figure 3. This finding suggested that the potential benefit of e-commerce and e-business may not be totally recognised by some SMEs, primarily through ignorance or lack of understanding (Simpson & Docherty, 2004).

Fink’s (1998) study of Australian SMEs identified three major Internet technology (IT) acquisition phases for SMEs. Firstly, the benefits of IT acquisition needed to be determined. Secondly, determining if appropriate resources and internal procedures are evident in the business, and thirdly, the external environment, support and resources needed to be factored in. This suggests that SMEs, in view of their size, have to make some difficult decisions as to the level of IT integration, and this would extend to the level to which they expose the business to the online marketplace. As such, there is very much an internal focus influencing strategic decision making.

### **Barriers to SME Internet adoption**

This internal focus is noted by Fillis et al. (2003) who suggest that internal factors (to adopting the Internet) are equally, if not more important (than external factors) for the smaller firm. This position is also adopted by Martin (2005).

An examination of the literature reveals some key reasons why small businesses may not elect to fully embrace e-commerce and e-business. Firstly, the size of the business and the fact that it probably has limited resources is a major factor (Riemenschneider & McKinney, 2002). This means that the SME is likely to be more focused on return on investment (ROI) in IT (Beck, Wigand & Konig, 2005). Secondly, the owner manager may not have the necessary expertise to integrate Internet technologies successfully (Gilmore, Carson & Grant, 2001; Levy, Powell & Worrall, 2005; Swatman, 2000). Actual recognition of the importance of the Internet by owner-managers and key personnel has also been identified as a key factor in Internet adoption (Martin & Matlay, 2003), and adoption of the Internet is also likely to be influenced by the owner-managers strategy for growth (Beckinsale et al., 2006).

## **2.7 Literature review summary**

Though not exhaustive, this literature review looked to canvas some key ideas that will be the foundation for this study. Highlighted were the notions that the Internet plays an important part in business today, and that it is likely to be so for some years to come. Also highlighted was the fact that SMEs are looking to the Internet as a new way of doing business, and the key reasons / barriers for SME Internet adoption were also identified.

It was also recognised that ethics in business is a topic that has been widely written about, but that very little has been written about ethics and online businesses, particularly from a small business perspective. One thing that academics agree on is that the Internet attracts new ethical issues for online businesses, but whether these issues are a manifestation of existing ethical dilemmas is still being debated.

Some key online ethical issues were identified, specifically privacy, online trust and IP, and of particular focus was De George's (1999) framework of online ethical issues which will be used as the basis for the field research.

### **The next chapter**

The next chapter will outline the research design for investigating the perceptions of SME owner managers regarding some of these ethical issues and their online business practices.



## Chapter Three – Research design

*“The purpose of research is to contribute in some way to our understanding of the world”.*  
(Hart, 1998, p.12).

This chapter outlines the justification for the research design and describes the research framework that was used for the study. This framework covers the theoretical perspective, methodology and methods underpinning the research, and important research components such as ethics, data analysis and research validity are discussed later in the chapter.

### 3.1 Research framework

There are a number of different research methodologies available to researchers and there are also a number of questions to think about for the proposed research. Questions such as; what research framework will the researcher adopt? What will the researcher actually research? Who will they research? How will they carry out the research? And, over what time period?

Crotty (1998) highlighted a key consideration that a researcher should think about when considering the actual design. This consideration relates to justifying the choices made for the chosen methodologies and methods that will be employed within the research. As noted by Crotty (1998) these considerations are guided largely by the overarching research question.

To recap, the overarching research question outlined in section 1.2 is as follows:-

***To investigate ethical perceptions of SME owner-managers relating to online business practices***

Before outlining and justifying the chosen research methods it is useful to adopt a model outlined by Crotty (1998) which offers a framework for the research design, as illustrated in Figure 4.

## THE RESEARCH FRAMEWORK

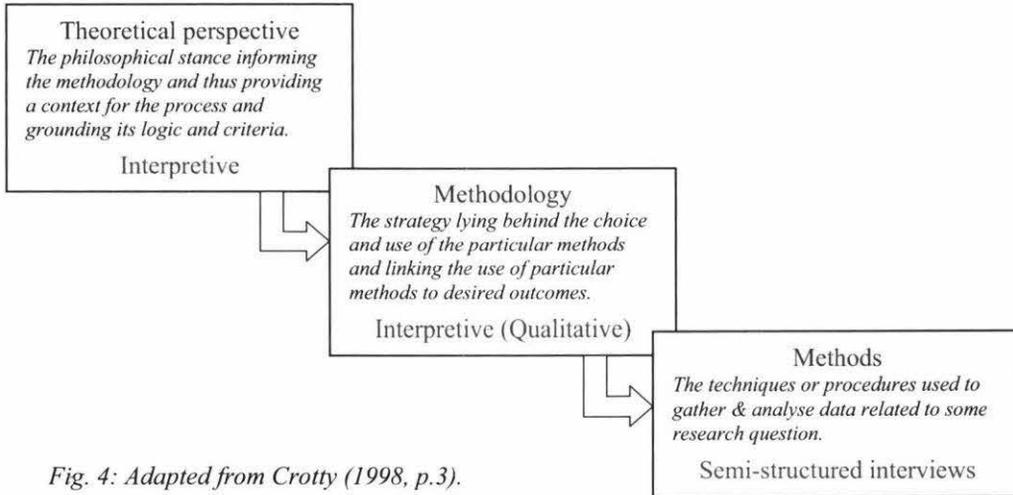


Fig. 4: Adapted from Crotty (1998, p.3).

Epistemology is also an integral component for a research design and is incorporated in the Crotty (1998) framework. Even though epistemology is not covered in this chapter in depth it is important to acknowledge the importance that epistemology plays with any research design. A simple view of epistemology is that it focuses the nature of knowledge and asks important questions such as “what kind of knowledge is research looking for” (Sarantakos, 2005, p.30), “how can we know anything with certainty” (Thomas, 2004, p.36), and in essence, “how do we know what we know” (Crotty, 1998, p.8). Creswell suggested that “it addresses the relationship between the researcher and that being studied as interrelated, not independent” (2007, p.247). It is important to note that everybody has an epistemological stance, whether it is conscious or not, and this stance ultimately depends on the individual’s experience and / or their worldview.

This study adopted a constructivist epistemology. For clarity it is important to distinguish between the terms constructivism which focuses on “the meaning-making activity of the individual mind” (Crotty, 1998, p.58), (the idea that the individual perspective is uniquely constructed (Bernard, 2006)), and constructionism, where the focus is on “the collective generation [and transmission] of meaning, where inherent cultures influences collective thought” (Crotty, 1998, p.58). As this study was predominantly interested in perceptions of individuals, and the way that they interact with people, systems and procedures on a daily basis, a constructivist epistemology

epitomised this interaction. As Robson suggested, “constructivist researchers attempt to “understand the multiple social constructions of meaning and reality” (1998, p.27) implying that it is important to understand how people see and interpret the world, and that the world is very much as people perceive it (Cavana et al., 2001). It is important to note that this worldview focus is a consistent theme throughout this research design

### **Rationale for epistemology**

Strauss (1987) concluded that social phenomena is very complex and this view is made more interesting by the increasing complexities in today’s world, which can (and do) influence people in different ways. Salaman and Asch (2003) suggested that “life is becoming increasingly difficult” and managers face “increasingly dynamic, complex and unpredictable environments where technology, the nature of competition, industry boundaries and the rules of the game are changing dramatically” (2002, p.1). With this context in mind it is very difficult to simplify, quantify or ‘pigeon hole’ everybody’s idea of the world because it very much depends on their individual perspective on events happening in their own lives. Robson (2005) suggested that “human actions can only be understood in terms of their place within different strata or layers of social reality” (p38). What may be one person’s reality (or understanding of a given situation) may not necessarily be another person’s in that same situation. As this study is interested in people’s perceptions of a particular business situation, i.e. online business practices, it is important to get the participants to talk of their experiences from a personal perspective. As such, each experience is individual, and likely to be different from one person to the next. This unique construction of reality is synonymous with a constructivist view (Bernard, 2006), and is consistent with Crotty’s (1998) notion that in reality people will make sense of world through their own eyes.

Thus, it is important to understand and accept that these unique but multiple perspectives are prevalent in today’s research environment, and this adds to the complexity of social phenomena (Strauss, 1987). Easterby-Smith, Thorpe and Williams (1998) also suggested that it is important to have an understanding of the philosophical issues when looking at the research design, as this can help “recognise

which designs will work and which will not, and can also help the researcher identify, and even create, designs that may be outside his or her past experience” (p.21). We will now look at the three elements illustrated in Figure 4 in more detail.

### **3.2 Research theoretical perspective**

Crotty (1998) described a research perspective as a “philosophical stance” that lies behind the “chosen methodology” (p.7) and highlighted the two main theoretical perspectives as being positivist / post-positivist and interpretivist. As mentioned, this study’s overarching research objective was concerned with SME owner-manager perceptions, and their understanding of ethics and online business practices. As such, the researcher was interested in real world perspective, and was looking to understand a social or human problem (Creswell, 1994). As the researcher has adopted a constructivist epistemology, this dictated an interpretivist (or qualitative) approach to the research (Sarantakos, 2005). Mason suggested that the interpretive approach is “concerned with how the social world is interpreted, understood, experienced or constituted” (2002, p.3) and Creswell (2007) noted that with interpretivism people’s interpretations are “varied and multiple”, and this leads “the researcher to look for the complexity of views, rather than narrow the meanings into a few categories” (p.20). As mentioned, these multiple constructed realities may generate different meanings for different individuals, and these interpretations are dependant on the researcher’s perception.

Given the influence of the researcher’s interpretation and “imposing their own reference frame” on the research (Easterby-Smith et al., 1991, p.79) it is important to introduce the notions of researcher bias and “using reflexivity to identify areas of potential researcher bias” (Robson, 2005, p.173). Reflexivity is covered further in section 3.7, along with some of the criticisms of the interpretive approach to research.

### **3.3 Research methodology**

It is important to clearly define the methodology that will “guide the research project” (Sarantakos, 2005, p.132-133), as this provides the foundation for how the research will proceed. As Creswell noted, a qualitative study “seeks to listen to informants and to build a picture based on their ideas” (1994, p.21). Robson (2005) used similar terminology and suggested that qualitative research is appropriate when “a study

focuses on the meaning of particular phenomena to the participants” (p.271). Merriam (1988) suggested that a qualitative (interpretive) approach is based on six crucial assumptions,

1. The research is concerned with process not outcomes.
2. The research is interested in meaning and how people make sense of the world around them. As such, people’s *weltanschauung* comes into play.
3. The research uses the researcher as the primary instrument for data collection.
4. The research usually involves fieldwork.
5. The research is descriptive in nature.
6. The research is inductive.

(Merriam, 1988, p.19-20).

Given Merriam’s (1988) assumptions, we will now look at how this interpretive (qualitative) theoretical perspective is integrated into the research method.

### **3.4 Research methods**

This section outlines the techniques and procedures that the researcher adopted in the research (Crotty, 1998), and in essence, highlights how the research was carried out and how the data was collected (Robson, 2005). As discussed previously, the whole premise of this study was to be qualitative (or interpretive) in nature, and to support the underlying epistemology, theoretical perspective, and research methodologies outlined in earlier sections. In this study the focus is on SME owner-managers and their perceptions about ethics and online business practices.

The primary data collection method was semi-structured interviews. A semi-structured approach was chosen rather than a structured or unstructured approach, as this offered the respondents elements of flexibility whilst still allowing the researcher to exercise some control (Robson, 2005). As Easterby-Smith et al., (1991) noted it is useful to adopt a semi-structured approach when it is necessary to understand the constructs that the participant uses as a basis for their opinions and beliefs about a particular matter or situation. This approach fitted neatly with the underlying constructivist epistemology and interpretive theoretical perspective.

## **The field research**

### *Development of the interview protocol*

The first step of the field research was to develop a qualitative interview protocol or “interview guide” (Robson, 2005, p.252). The semi-structured approach in the interview meant that the order of the protocol was not necessarily followed (Merriam, 1988) and that follow-up questions and probes were an inherent part of the interview process (Rubin & Rubin, 2005).

The interview protocol was designed to integrate Merriam’s (1988) qualitative assumptions in the previous section, for example, the open nature of the questions allowed participants to describe (in rich context) how they see the world. The questions in the protocol were predominantly open-ended and exploratory, and were designed in such a way that this rich information could be accumulated in the interviews, i.e. the use of words and understanding, rather than numbers and explanation (Hignett & Wilson, 2004). The open nature of the questions was designed to encourage a natural and honest personal engagement (Schostak, 2006).

In total, thirty three questions were broken into three main sections: The profile section contained 12 questions, the research section contained 16 questions, and there were five additional research questions. It is important to acknowledge that care was taken not to predetermine participant responses as this would have created a bias on the part of the researcher (Maxwell, 1996).

### Profile questions

These questions gave a sense of who the participant was, and what their business involved, which provided a useful base for the researcher to understand the participant’s thoughts and perceptions. The questions were selected carefully to generate some rapport with the participant (Robson, 2005), and to create a foundation for the research questions.

Of particular interest in this section was the level of Internet integration in the business. How much does the business actually rely on e-commerce and e-business? And, was there any intention to expand the Internet presence? These questions were important as the level of ethical consideration may well be linked to the degree of Internet integration in the business.

### Research questions

This section contained questions that associated online business behaviour with ethical considerations. These questions related to the underlying research objectives. The questions were designed to encourage participants to think about issues relating to ethics, and issues relating to ethical behaviour and online business practices.

The first four questions highlighted the participant's perception to ethics and business, and to ethics and online business. The remainder of the section was broken into two main (ethical) areas, privacy / security (five questions), and intellectual property (three questions). The finishing questions were compulsory, and helped to maintain rapport with the participant.

### Additional questions

These five questions highlighted the participants understanding of SMEs and the drivers, benefits and barriers of doing business online. It also started to probe the reasons for the owner-manager having an online business. These questions were only asked if time permitted.

### *Pre-testing the interview protocol*

Given the importance of the interview protocol as a foundation for the field research, the protocol was critiqued at length by university supervisors, and colleagues who were experienced in field research of this nature. It was intended that the responses and feedback from supervisors and colleagues would be used to fine-tune the interview protocol, and highlight new or related questions (Bernard, 2006; Robson, 2005). These critiques were also useful for ensuring that the questions addressed the research objectives outlined in section 1.2. This iterative critiquing process represented a form of pre-test, and helped to discover issues and problems with questions, and also with managing the timing of the interview (Dorsten & Hotchkiss, 2005).

### *Design of the semi-structured interview*

The researcher was keen to encourage an environment where the participants were comfortable, and it was acknowledged this was more likely where there was no evident rigidity of structure. As such, the researcher adopted a simple 3-stage Robson (2005) interview framework that comprised introductory comments, key questions,

and closing comments and also ensured that the interview was held in a location selected by the participant and at a time that was convenient to them.

The researcher also considered aspects of a Cavana et al. (2001) interview pattern, notably the need to gain rapport quickly in the introduction section (Robson, 2005), and to ensure that both the researcher and participant were comfortable in the interview environment. Good rapport was particularly useful when asking questions of a more sensitive nature, such as age or education questions. The researcher also acknowledged that the respondents may experience some interview anxiety, such as being guarded about responses because of the researcher's presence (Creswell, 2003). However, every effort was made to minimise this anxiousness, such as explaining the process at the start of the interview and highlighting how the participant input would assist the research going forward.

The interviews were recorded, with the permission of the participant SME owner-manager. Recording the interviews assisted with capturing the essence of the interview, and was useful for analysis and to strengthen the research integrity (Maxwell, 1996). In addition, field notes were taken to supplement the interview (Bernard, 2006). As such, both the recordings and field notes from the interviews were useful for describing results (chapter four), and highlighting key ideas and themes, that would be the foundation for the discussion (chapter five).

The original intention was to interview 15 SME owner managers which was a number that the researcher felt would provide valuable information to address the research objectives, as well as being within the parameters of a small-scale enquiry. However, due to theoretical saturation, whereby no new data or categories were emerging (Bernard, 2006; Sarantakos, 2005), it was deemed appropriate to interview only 12 participants. A snowball sampling technique was used to find the 12 SME owner-managers which as Dorsten and Hotchkiss (2005) noted, relied on one (or more) of the participants identifying further participants that they thought would be interested in taking part in the research, in essence, "a referral" (Cooper & Schindler, 1998, p.247). Obviously, any new participants needed to meet the research criteria (Sarantakos, 2005), which in this case was an SME owner-manager who had an

online presence as part of their business. They also needed to be based in New Zealand, and preferably in Wellington.

The industry of the participant SME was not predetermined, and the snowball sample meant that different industries were encountered. As Poon and Swatman (1997) noted, choosing different industries is useful in research as it may mean that industry specific issues will be able to be identified, as well as identifying areas that may be useful as a foundation for further research.

Uppermost in the researcher's mind was to conduct the interviews as professionally as possible and as such, the interview was designed in such a way to encourage the flow of information and to minimise any communication barriers (Cavana et al., 2001). The semi-structured interview was designed to last 1 hour. However, given the spontaneous nature of qualitative research and the types of questions being asked, it was anticipated that there would be some variance in the length of the interview. Anything less than 30 minutes was likely to be too short, and anything longer than one hour was likely to be too long (Bell, 1999; Robson, 2005). It was anticipated then, that one hour was an appropriate amount of time to allow for each interview, and the participants were advised of this accordingly.

### **3.5 Ethical considerations**

Easterby-Smith et al. (1991) outlined a key issue that frequently concerns organisational researchers: the "control and use of data obtained by the researcher" (p.65) and suggested exercising ethical responsibility by "not publicising or circulating any information that is likely to harm the interests of individual informants, particularly the less powerful ones" (Easterby-Smith et al., 1991, p.65-66). This point was crucial in the design of the research and the ethical considerations were based on a consequential view, i.e. that there are factors that are outside the researcher's control. As an example, the researcher made every effort to ensure that the interview and its findings were confidential and anonymous, but accepted the possibility that some of the participants may know one other, and may talk among themselves about the research interview.

This consequential ethos is ingrained in the eight principles of the Massey code of ethical conduct for research (MUHEC, 2006) and was embodied in the information

sheet given to participants (*Appendix one*). As mentioned, of particular importance was the anonymity and confidentiality of the participant (principle d of MUHEC, 2006). Other key ethical factors that influenced the research design included consideration of the participant organisation's culture, confidentiality and structure, and secondly the interviewer's safety and impartiality (principle b). This MUHEC (2006) code was integrated into the research design by the following actions:

1. The proposed research, along with associated questionnaires, was assessed for ethical risk. This research was evaluated by peer review, and judged to be low risk on the 5<sup>th</sup> of July 2007. Consequently, it did not need to be reviewed by the Massey University Human Ethics Committee (MUHEC).
2. To maintain employee and business confidentiality (and anonymity) no names were used in the research. In addition, the researcher undertook not to disclose any names to third parties and/or others involved in the research.
3. Participants involved in the research were given full information about the research including: the nature of any research risks, information about the sponsor and beneficiary and details on how to obtain information on the research. Their informed consent was validated by their signature on a consent form outlining the terms and conditions of the research (*Appendix two*). Discussions were recorded and participants had the right to refrain from being recorded, or to answer certain questions. All recordings were analysed and summarised, and will be held securely by the Massey University supervisors after the research has finished for a defined period, after which all material will be destroyed.
4. Strict time keeping was adhered to for all meetings in the interest of professionalism and 'business as usual' for the participant owner-manager.
5. As per section 3.10 of the MUHEC code of ethical conduct every precaution was taken to ensure the safety of both researchers and participants during the research process (Cooper & Schindler, 1998; Silverman, 2006).

### **3.6 Data analysis**

Silverman (2005) suggested that there are five different ways to obtain data for the research. The first three ways were already been incorporated into the study before undertaking the field research: (1) analysing data already in the public sphere, such as academic publications, books or newspaper articles; (2) begging or borrowing other

people’s data, such as information from other researchers at the University; and, (3) seeking advice from research supervisors. Obviously these three aspects were still important after the field research, particularly in the discussion and conclusion stages of the research. But, of more importance in data analysis stage was the (4) analysis of data as it is gathered, and the (5) asking of key questions about the data.

The interviews were tightly packed into a three week schedule, and even though data was available after the first interview, the researcher waited until after the last interview before starting to analyse the data, and obtain themes etc. The main reason for this was to prevent the forming of pre-conceived ideas going into the interviews, and thereby minimising the impact of researcher bias. As such, the researcher waited until after the data was gathered in the field research before undertaking the analysis. When all the interviews were concluded and the analysis phase started, there were three main stages that evolved. It is important to highlight the intuitive, iterative approach in these three phases, and an adaptation of Easterby-Smith et al’s. (1991) seven stage data analysis model was used to analyse each interview.

### Stages of data analysis

	Data analysis stage	Description	How this was actioned in the study	
Stage 1	Familiarisation	<i>Re-read the transcripts again. (Essentially exploratory)</i>	<ul style="list-style-type: none"> <li>○ Listening to the (recorded) participant interview</li> <li>○ Writing down key quotes or ideas that resulted from each question.</li> <li>○ Highlighting ideas that had been located in the literature, and subsequently in the interviews.</li> <li>○ Starting to identify recurrent themes that were emerging. At this basic stage a mixture of content and ethnographic analysis (Wilkinson, 2004).</li> <li>○ Starting to group ideas together.</li> <li>○ Themes were identified in each question</li> </ul>	← Iterative approach for each participant
	Reflection	<i>Does it support existing knowledge?</i>		
	Conceptualisation	<i>Identifying concepts and variables</i>		
Stage 2	Cataloguing concepts	<i>Labeling concepts in participant’s words, or researchers?</i>	<ul style="list-style-type: none"> <li>○ The concepts / themes identified were identified in both the language of the participant, and the language of the researcher.</li> <li>○ Care was taken to source the information correctly.</li> <li>○ Recoding the main themes.</li> <li>○ Linking between questions.</li> <li>○ Linking to previous research.</li> <li>○ A holistic view starts to emerge.</li> </ul>	← Iterative approach
	Recoding	<i>Once the concepts are all know, does it need recoding?</i>		
	Linking	<i>Key patterns and concepts emerging?</i>		
Stage 3	Re-evaluation	<i>More work may be needed in some areas?</i>	<ul style="list-style-type: none"> <li>○ Supervisor’s critique, and additional reading forced a re-evaluation.</li> </ul>	

Table 4: Adapted from Easterby-Smith et al. (1991), p.109-111.

### **3.7 Research integrity**

#### **The issues**

Easterby-Smith et al. (1991) outlined an inherent problem with research by suggesting that research needs to “stand up to outside scrutiny” and that the research needs to be “believed” by readers of the research (p.40). This question points directly at the concept of validation, which is “generally acknowledged to be a key issue in research design” (Maxwell, 1996, p.87). For qualitative research however, validity is a difficult proposition as there is “no single stance or consensus” for addressing issues on validity and / or reliability (Creswell, 1994, p.157), a view that is endorsed by comments by Peräkylä (2004). Given the interpretive view of multiple realities these views are logical.

Some of the criticisms of the interpretive approach however, are that it is too subjective, short-term focused and doesn't initiate change (Cavana et al, 2001), but this researcher is of the view that the subjective nature of interpretive research is actually a strength, not a weakness, as at the very least it encourages debate among readers by acknowledging different perspectives. Rubin and Rubin suggested that qualitative research extends “our intellectual and emotional reach” (2005, p.vii) which implies that qualitative research adds to knowledge by being ‘outside the square’ rather than being prescriptive. Sarantakos (2005) outlined some other issues to consider with interpretive research which include: (1) the fact that it is not always possible to gauge whether a true interpretation of respondents answers have been achieved; (2) it is not also possible to know of internal and external factors influencing responses; and, (3) conflicts and possible sources of change are not taken into account with responses. Again, these points are valid criticisms, but it should be noted that qualitative research is not prescriptive, there is no one right answer, and these concerns raised by Sarantakos (2005) would apply to most, if not all, types of research.

#### **Addressing the issues**

Lincoln and Guba suggested that “the constructionist equivalents of internal and external validity” are credibility, transferability, dependability and accountability (1985, p.300, in Denzin, 2004, p.460). Credibility was partially achieved by seeking

(participant) clarification using open-ended questioning (and cross-checking) techniques (Cavana et al., 2005). Partial triangulation was also gained by iterative feedback from research supervisors which offered multiple perspectives (Maxwell, 1996). Transferability was achieved by the use of rich thick description to convey a feeling of understanding and context for the reader, i.e. the researcher “describes in detail the participants or setting under study” (Creswell, 2007, p.209). The use of an interview protocol assisted with dependability, and confirmability was achieved by the use of partial triangulation.

Sarantakos (2005) identified three additional ways to validate qualitative research. These are cumulative, argumentative and ecological validation. Cumulative validation is where a study’s findings are supported by other studies. In this study, other researcher’s findings, discussions, and conclusions were incorporated into the literature review and also in the discussion chapter. Argumentative validation, whereby the findings are presented in such a way that conclusions can be followed and tested was achieved by the inductive process used by the researcher, which means that a reader can follow how the various conclusions have been made. Lastly, ecological validation was partially achieved by ensuring that the semi-structured interviews were held in an environment that the participant’s were comfortable with, which was in most cases their own work environment.

Maxwell (1996) made an important point by suggesting that finding an empirical solution to these issues is not essential, but, what is important is to understand how the researcher influences what the participant says, and how this affects the validity of the conclusions that the researcher makes. Given these comments it is crucial to understand the role that the researcher plays in the research, and that reflection on the part of the researcher has minimised researcher bias wherever possible.

### **Research limitations**

Firstly, there were institutional constraints for this thesis, specifically conforming to university rules such as word limits and time constraints, and ensuring that the research design had university ethics committee approval. Secondly, as only one researcher was involved in the research this limited the possibilities of research triangulation, although as mentioned, the use of research supervisors provided

elements of triangulation. Thirdly, this research focused on only two of four constructs outlined by De George (1999). These two areas were privacy and intellectual property, and a 3<sup>rd</sup> construct (security) was considered as an offshoot of privacy. The majority of literature tended to be focused on privacy and security in particular. It is important to acknowledge however, that there are more ethical aspects of online business that are important issues in their own right, such as legislation and governance, or crime.

### **3.8 Summary of the research design**

#### **The purpose statement**

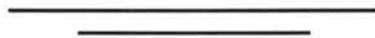
This “establishes the direction of the proposed research” (Creswell (1994, p.56) and the following statement outlines the purpose statement for this study:

*The focus of this study is to investigate ethical perceptions of SME owner-managers relating to online business practices. There is a specific focus on privacy, security and intellectual property. The study is qualitative in nature and will be conducted in Wellington, New Zealand. The research involves semi-structured interviews of 12 owner-managers of SMEs that have an online presence.*

Utilising a model from Crotty (1998) this study adopted a constructivist epistemology which informed an interpretivist theoretical perspective and methodology. The field research was carried out in the form of semi-structured interviews.

#### **The next chapter**

The next chapter outlines the findings from the field research. The results from the participant interviews will be presented in this chapter and then discussed in chapter five.



## Chapter Four – Results

*“The increasing importance of the Internet and the surging use of digital technologies are changing the business landscape in dramatic ways”.*  
(DeFago & Bockanic, 2006, p.204).

This chapter summarises the results from the field research. The exploratory nature of the semi-structured interviews meant that ‘rich’ data was obtained from the twelve participants. The responses to each question were grouped into main themes and any additional themes were highlighted for further analysis. These main themes were then grouped into the following sections:-

- Profiles of the participants and their business (section 4.1)
- Importance of e-commerce (section 4.2)
- Underlying business ethics of the participant SME owner-manager (section 4.3)
- Online issues from an ethical perspective (section 4.4)

### 4.1 Profiles of the participants and their business

Snowball sampling was used to choose the participants. There was a gender mix with the participants, as well as a range of different ages and nationalities, as was anticipated by the researcher. The tables on the next two pages summarise the profile questions in the semi-structured interviews. The first table highlights the SME participant’s personal profile, and the next table relates to the participant’s business profile.

In addition, the participant SME’s website was also analysed. This was considered important by the researcher given the business significance that participants placed on the company website. The website’s importance was highlighted by comments from participants such as *“there’s no way we could ever run our business without it”*, *“it’s everything”* to the business and, *“it’s my main front-face”*.

It was also emphasised in the interviews that care must be taken with the website as *“there’s a real science to building a website”*. Another participant suggested that the website is *“how we present ourselves”*, and in essence is *“like a brochure”* as it *“covers all our services”*.

## Personal profile of participants

Participant Number	Gender	Participant age range	Educational background	Working background	Involved with SMEs before?	If yes, different industry?	Current role in business	How did you get involved?
1	Female	30 - 40	- Certificate in Business/ Diploma in Acting/ Secretarial course	-Freelance entertainer/ office administrator/ fitness industry	Yes	Yes	Director / MD	Personal interest
2	Male	30 - 40	- Occupational Psychology degree/ PG Dip (Industrial Organisational Psychology)/ Masters in Occupational Psychology/ Career coaching courses	-Insurance/ career development (coaching)/ occupational psychology	Yes	Yes	Director / MD	Personal interest
3	Male	40 - 50	- Certificate in adult learning	-Fitness industry	Yes	Yes	Director / MD	Personal interest
4	Male	40 - 50	-BA (Economics and Sociology)	-Maintenance officer	No	N/A	General Manager	Personal interest / niche opportunity
5	Male	30 - 40	-BSc (Zoology and Physiology)/ PG Diploma (Stats)/ MBA	-15 years in IT industry (Network admin/ projects/ financial analyst/ web development/ sales).	No	N/A	Director / MD	Personal interest / using the knowledge I had
6	Male	30 - 40	-Trade certificate in Horticulture/ Diploma in Arboriculture	- Horticulture & aboriculture	No	N/A	Director / MD	Personal interest / niche opportunity
7	Female	20 - 30	- Diploma in Business Studies/ First year Bachelor of Nursing	- Chef	Yes	Yes	Director / MD	Personal interest / Hobby
8	Male	30 - 40	- Bachelor of Business Information/ Certified hacker/ MCS D	- Computer consultant	Yes	No	General Manager	Personal interest / using the knowledge I had
9	Male	50 - 60	- NZIM Advanced Management Diploma/ On the job corporate training/ Self study	- Primarily IT (Computer engineering/ service management/ project management / sales & marketing/ account manager/ account & relationship manager.	Yes	No	Director / MD	Using the knowledge I had / niche opportunity
10	Female	30 - 40	- None	- Receptionist/ secretary	Yes	No	Director / MD	Personal interest / Using the knowledge I had / niche opportunity
11	Male	30 - 40	- BA (HR and Management)/ 5 Papers at postgrad level (PG Dip BusAdmin)	- Graduate assistant/ Professional rugby/ warehouse manager/ NZRU/ polytechnic lecturer	Yes	Yes	Director / MD	Personal interest / using the knowledge I had
12	Male	20 - 30	- BA (Human Geography and Asian studies)/ Honours in Marketing	Marketing conferences/ Sailing resort/ managing a chalet/ event management	No	N/A	Director / MD	Personal interest / using the knowledge I had



Table 5

## Business profile of participants

Participant Number	Industrial classification*		Core business (Participant's definition)	When did the business start?	Full-time / part-time employees **	Importance of website to business	Do you accept online payments?	Any expansion of website planned?
	Industry division (Level 2)	Working industry (level 4)						
1	Arts & recreation services	Heritage and artistic activities	Entertainment	2001	1 FT, + others from time to time	Important or very important	Online banking (OB), not credit card	Yes
2	Administrative and support services	Employment and other administrative services	Online recruitment	2006	5 FT, + others	Essential	No credit card, OB, more of an order online	Definitely
3	Arts & recreation services	Sport & recreation activities	Fitness and wellbeing	1995	1 FT	Important or very important	No credit card, more of an order online	Yes
4	Professional, scientific and technical services	Related services	Graphic design and computer imaging	1992	12 FT+ 6 PT	Fairly important	OB, not credit card	Maybe, when better resourced
5	Professional, scientific and technical services	Related services	Website development	2000	2 FT	Essential	OB / credit card	Yes, when better resourced
6	Administrative and support services	Other support services	Garden landscapers	1994	42 FT+ 2 PT	Fairly important	OB, not credit card	Yes, when better resourced
7	Retail trade	Clothing	Retail and wholesale clothing	2006	2 FT, + others	Essential	OB, manual credit card	Yes
8	Professional, scientific and technical services	Related services	Internet security	2005	3 FT, + others	Important or very important	OB, not credit card	Yes
9	Professional, scientific and technical services	Related services	Software development	2004	1 FT+ 3 PT, + others	Important or very important	OB / credit card	Definitely
10	Retail trade	Personal accessory retailing	Jewellery design and manufacture	2002	2 FT	Important or very important	No credit card, OB, more of an order online	Yes
11	Retail trade	Clothing	Retail and wholesale clothing	1994	58 FT, + others	Important or very important	OB, manual credit card	Yes
12	Wholesale trade	Other goods wholesaling	Mineral, metal and chemical	1988	3 FT+ 3 PT, + others	Fairly important	No credit card, more of an information site	Yes

NOTES:	< 5 yrs 4	<=5FT 7	Essential 3	Online bank 10	Definitely 2
* 2006 ANZSIC codes (Source: Statistics NZ)	5 yrs + 8	>5, <=20 3	Import. / VI 6	Credit card 2	Yes 7
** other employment resources includes consultants and temporary resources		>20, <=99 2	Fairly import. 3	Manual CC 2	When resourced 3

Table 6

## The website profile

In the words of the participants the company's website was considered "*essential*", "*very important*", or "*important*" to nine of the twelve participants, with the other three participants considering it "*fairly important*". Participant comments such as "*the website captures the essence of the company*", and "*we try and do as much online as possible*" highlighted both the Internet and the websites importance. Another participant also highlighted the practical importance of the website by suggesting that it is "*important because it creates work for me*". The main reasons given by participants for having a website as part of their business are as follows:

- For advertising purposes – either a product or service (ten participants)
- As an extension of the 'bricks and mortar' side of the business in terms of offering products and services (six participants).
- As an extension of the 'bricks and mortar' business for information only (three participants).
- Three participants are online businesses only, and therefore totally rely on the website to provide information, to advertise, and to sell goods and services.

In general, the websites were clustered into three main categories. The first category (3 participants) were those participant SMEs that had an e-commerce or e-business element integrated into their business. These participants relied on e-commerce for business success, and updated the content on their website on a fairly regular basis. They offered goods and services for sale online. The second category (five participants) were those SMEs that had an 'interactive' online presence, i.e. they encouraged customers to actively participate in their website. These participants usually updated the content on their website on a regular basis, and some offered smaller ranges of products (or services) online. The third category (four participants) related to those SMEs that had a fairly 'static' online presence, i.e. they didn't change their website content on a regular basis, or they changed the content very rarely. These websites were mainly designed for information purposes, and in some cases for advertising their services. They did not offer goods or services for sale online.

Other interesting results from analysing participant’s websites were:-

- Two participant’s websites offered ‘try before you buy’ software;
- Two participant’s websites offered online tools;
- Two participant’s websites offer presentations and/ or PDF’s for download;
- Only one participant had a frequently asked questions (FAQ) section on their website;
- And, no participant had a privacy statement on their website.

The responses to the remaining profile and research questions are highlighted in three related sections.

<p><u>Importance of e-commerce (Section 4.2)</u></p> <ul style="list-style-type: none"> <li>○ Why do people start online business?</li> <li>○ Benefits of online business</li> <li>○ Downside of online business</li> <li>○ Characteristics of online SMEs</li> <li>○ Importance of e-commerce and e-business</li> </ul> <p><u>Underlying business ethics of the participant SME owner-manager (Section 4.3)</u></p> <ul style="list-style-type: none"> <li>○ Perceptions of ethical business trading</li> <li>○ Underlying values of the participant SME owner-manager</li> <li>○ Risk tolerance of the participant SME owner-manager</li> </ul>	<p><u>Ethics and e-commerce (Section 4.4)</u></p> <ul style="list-style-type: none"> <li>○ Key online issues</li> <li>○ Online issues from an owner perspective</li> <li>○ Online issues from a customer perspective</li> <li>○ Security issues and online business               <ul style="list-style-type: none"> <li>○ Obtaining customer information</li> <li>○ Storing customer information</li> <li>○ 3<sup>rd</sup> party lists</li> </ul> </li> <li>○ Intellectual property issues and online business</li> </ul>
---	--

Fig. 5: Themes of participant responses

## 4.2 Importance of e-commerce

In order to get a sense of the ethical challenges that face online SME owner managers it is crucial to understand the environment that the business operates in. As such, it is essential to understand why people start online businesses in the first place, and what are the perceived benefits and downsides of online business. This is important as it helps frame some of the ethical considerations that the participant owner-managers have.

### Why do people start online businesses?

Five of the twelve participants thought that people (in general) start an online business because they see it as a good / “*quick way to make money*”, and five participants thought that it’s a “*cost effective way to get into business*”. Two participants suggested that online business is a more efficient way to do business.

Expanding the business was another popular choice, with four participants citing access to overseas markets as a reason to start an online business. As one participant commented, “*you’ve got to have your company represented on there... especially one like ours*” and believed that online business increased the company’s exposure. One participant suggested that an online presence created an “*additional sales force*” and later remarked that, “*online capability gives you a sales force beyond your people on the ground*”.

Three participants thought that some businesses start online for “*survival*” whilst one participant remarked that some people start an online business “*out of interest*”, “*for a challenge*”, or to “*take a good product to market*”.

A lot of participants cited personal reasons for starting an online business, with seven participants suggesting that convenience, flexibility and freedom were important considerations. In addition, the fact that people can work part-time and the owner-manager doesn’t require huge amounts of stock or capital were also considered important factors.

One participant thought that some owner-managers (in general) start an online business because “*it’s popular*”, whilst other participants suggested that “*it’s the way of the future*” or “*the way the world is going*”. One participant thought that online businesses are in effect the new “*yellow pages*” whereby you “*let your fingers do the walking*”, a sentiment that was shared by another participant who used the analogy of “*an online yellow pages*”. This analogy was also supported by another participant who commented that, “*we use the Internet to get some background information on the client*”.

When the participants were asked how they felt about doing business online, every participant described being comfortable with doing business on the Internet, with five participants expressing a real excitement and enjoyment about their online experience. As one owner-manager noted “*it’s a fantastic way to do business*”, and another noted that “*the learning tool and the mechanism of websites have actually broadened a lot of people’s minds*”.

### **Benefits of online business**

The responses can be categorised into three broad groupings.

The first grouping related to the efficiency and flexibility of online businesses. Seven participants thought that the ability to work from home and to work part-time offered real flexibility. This line of thought was captured by one participant who suggested that “*the Internet is our virtual office*”. In addition, the ease of doing business online in terms of efficiency and speed were benefits to four participants, and the ability to “*change the look and feel of the website quickly*” offered a real benefit to one participant. Seven participants thought that there were significant cost benefits to online business which were represented by lower costs, a saving of time, and lower overheads. Interestingly, one participant also expressed the notion that it was also relatively easy to “*exit*” the online business as well.

The second grouping was related to the ubiquity of the Internet - the fact that the computer and the Internet is now part of our everyday life, and that “*everybody has got a computer at home*”. Four participants thought that the ability to get to a wider market (both in terms of geography and customer base) was a real benefit. The ability to communicate easily and be available at all times was also seen as a real plus to three participants. One participant commented that in terms of the business “*you are not limited... it's all around the world... anyone can check you out*”. In addition, the fact that the Internet offers a remote access feature, and thus people are able to communicate remotely appealed to three participants. Add in the notion that more people (especially younger people) are shopping online, or “*using the Internet for information*” adds weight to this ubiquity aspect.

The third grouping related to cash-flow and payments with online business offering the ability to get “*paid straight away*”, and thus impacting significantly on the business' cash-flow.

### **The downside of online business**

The participants also recognised that there are quite a few downsides to running an online SME, and these are captured in three distinct categories.

The first category related to issues with the lack of face-to-face contact (four participants), and the fact that it is harder to ‘talk’ to someone online. This was highlighted from both a manager and customer perspective. Two participants felt that some people may struggle to develop relationships as a result, and that this may emerge into problems with developing trust. Related to the lack of face-to-face issue was the concern that there were challenges in trying to capture the owner-managers personality in the website (three participants). Some owner-managers felt that it was important to capture their personality in the website as it is “*essentially the face of your company*” but this was acknowledged by another participant as being a “*fairly difficult proposition*”. One owner-manager made an interesting point when he suggested that when you provide information on a website you are trying to educate “*a customer or potential customer*” but “*what you are doing though... is educating the market*”.

The second category related to the actual logistics of running the operational side of the business with five participants mentioning issues or problems with this managerial aspect. “*Delivery and service issues*”, “*stock control*” and “*after sales service and enquiries*” were all issues that were raised. As one participant noted, “*for most people it’s a shop-face and you still have to have everything in behind it*”. In addition, there was an acknowledgement that one of the biggest issues was trying to drive or “*direct traffic*” to the SME’s website with three participants mentioning this as an issue. In summary, six participants felt that online business was not as easy as people thought it was, and that there are a lot of “*time wasters*” and “*tyre kickers*” that online businesses have to deal with. In other words, a lot of people visit the website (counted by website hits) but don’t purchase goods or services – a comparison with ‘bricks and mortar’ businesses might be those customers who are ‘window shoppers’. As one participant suggested, “*its one thing to get the customer to your site... but then the hard part is to make a sale*”. Another participant added that there’s “*still a lot of fear about doing online business... they might still buy from you but they will use a traditional method*”.

The third category related to the logistics of running the actual website. The first problem is that “*anybody can put up a website*”, which increases competition. The

second problem is that the target market has to be comfortable with doing business online. These two problems raised a fundamental business problem for some participants of ensuring that they understood their target market. Two participants also suggested that there is a business need to “*update the site easily*”. Keeping up with technology and security were also key issues, and as one participant noted “*there’s a demand to keeping up with technology*”. Two participants believed that this would require strong relationships with developers. However, three participants conceded that “*there is a real difficulty in finding good developers*” in today’s marketplace.

### **Characteristics of online SMEs**

The participants were asked what characteristics they share with other small online businesses. A few of the participants struggled to describe characteristics, but for those that did manage, there were three general themes that emerged.

The first theme relates to the personal characteristics of the owner-manager, with two participants seeing the owner-manager as opportunistic and/ or innovative. One participant thought that they needed to be “*forward-thinking*”, whilst four participants thought that they needed to have a passion for what they do, and be motivated to make it work. One owner-manager captured this latter theme by commenting that, “*I’m really passionate about my business*”, and later, “*I believe in my business... I believe in my product... I know there is a market there... I’m going to give 120% of me not to fail*”.

The second theme to emerge was business related, and one participant thought that start-up businesses are maybe “*looking for a niche market*”, and that they might be looking at the online component as an “*initial contact point*”. Once the online aspect to the business was established the ability to reach potential customers easily, or the idea of the “*virtual office*” or “*an illusion of a professional outfit*” appealed to some participants.

The third theme highlighted some of the negative aspects of online business, with two participants mentioning the “*frustrations*” and “*difficulties*” involved with online business, whilst four participants mentioned the actual challenge of running the day-to-day operation.

### **Importance of e-commerce and e-business**

When asked how important e-commerce and e-business is now and in the future there were fairly similar responses. Two of the participants expressed the comment that e-commerce and e-business was crucial to their business, and as one participant acknowledged, *“you’ll fall behind if you don’t have an online component”*. Nine of the twelve participants thought that e-commerce was very important to their business and this was personified by one participant who remarked that *“more and more people are certainly appreciating electronic means of doing business”*, and by another participant who suggested that *“everyone uses the website these days”*. One participant on the other hand thought that e-commerce is *“not as important as people think”*.

In terms of the future, seven of the twelve participants thought that e-commerce would be important in the future, and that *“we’re in the electronic age”*. Four participants thought that it would be increasingly important and as one participant commented it’s a *“huge part of the business... not as big as retail... but it has the lowest overheads and lowest costs... and is one of the easiest ways to market... so huge potential”*. Again one participant was the exception to the rule and thought that the importance would *“depend on the industry”*.

The perceived importance of ‘growing the business’ was supported by participant’s comments when they were asked whether or not they are looking to expand their business in the future. Six of the twelve participants expressed definite plans, four participants said that they may expand the business, whilst two participants had no plans at all. Interestingly, three participants had downsized in recent years, and only one of these three participants had plans to expand again in the future.

When asked about expanding the Internet presence, again the view was positive with all participants expressing an interest in expanding at some stage in the future. This expansion was predominantly by making improvements / changes to their website. Four of the twelve participants had recently upgraded their website in the previous six months, six participants had plans to upgrade their website, and the researcher noted that three of these participants have recently upgraded. Three other participants

expressed a desire to upgrade their website but were resource bound. As one owner-manager noted “*it’s one of our big focuses for this year... and next year*”.

### **Additional issues to emerge from the importance of online business**

1. People start an online business to **survive** (two participants).
2. **Certain industries** have more use for e-commerce than other industries (three participants).
3. Participants mentioned that e-commerce and e-business has been influenced by the popularity of the online auction site **TradeMe**. It has created familiarity with online trading, and “*created expectations for customers*” and businesses (11 participants). In addition people are becoming addicted to TradeMe (two participants).
4. Four participants mentioned that you can be a **portrayed as a bigger player** than you really are, and this “*can create problems*”. In effect it creates “*smoke and mirrors*”. From a customer perspective “*you don’t actually know if they are big or small*” and, another participant commented that “*what you see is not necessarily the truth*”.
5. Finding **resources** (people and money) **is an issue** for expansion of the business, and the website. As one participant remarked I “*can’t do everything that I want to do... as it needs credibility /marketing etc*”. In addition, three participants mentioned that obtaining good programming skills for the Internet is very difficult and expensive.
6. The website is primarily used for **information / advertising** (10 participants). The Internet is great for “*research purposes*” and “*it’s an extremely good reference point for people to go to*”.
7. There were several **frustrations** with online business, such as the need to update the website and breakdowns etc, and four participants thought that online business was a real challenge.
8. Six participants mentioned that people (in general) **think that it’s easy** to run an online business but in reality it’s not.
9. How do you **draw people** to your website? (three participants).

### 4.3 Underlying business ethics of the participant SME owner-manager

Another key determinant of how online businesses operate can be found in the underlying business ethics of the SME owner-manager. The first question asked of the participants was how do they incorporate ethical trading into their day-to day business? There were three general themes to emerge from the responses.

The first theme related to integrity, with all participants mentioning this in one form or another. Two participants actually mention the term “*integrity*” whilst nine of the 12 participants mentioned things such as “*being open and honest*”, and “*having open communication*”. One participant thought ethical trading meant “*being true to yourself and other businesses*”, whilst two participants extended the integrity aspect into online trust. Three participants mentioned that ethical trading means that “*you don’t promise something that exceeds your capability and knowledge*”, with one participant adding that that “*you need to make referrals where necessary*”. One owner-manager commented that business ethics are all “*about doing things the right way*”, and another participant suggested that ethical business practices “*convey exactly what you are about as a business*”.

The second theme related to some sort of ‘code of conduct’ influencing ethical behaviour in the business, with four of the 12 participants mentioning this aspect. Some of the codes of conduct were externally imposed, with two participants adhering to online business standards, specifically the “*NZ Psychology code of conduct*” and to the “*NZ Computer Society’s code of ethics and conduct*”. Other participants adopted best practice methodology in their business which appeared to be internally imposed standards, such as “*old fashioned business practices*” and working “*to a set of values*”. And, as one participant remarked, “*I really believe in karma*”. Interestingly, these internally imposed comments came from some of the older participants.

The third theme related to “*customer confidentiality*” and “*privacy*” with two participants mentioning this aspect.

A key aspect of ethical trading are the underlying values associated with the SME owner-manager, and what risks they are willing to take in their business. The

participants were asked to think of two key values that they considered ‘non-negotiable’, and were then asked on a personal level how risky they thought they were.

### **Underlying values**

Eleven participants mentioned personal values associated with integrity, and effectively “*doing what you say you are going to do*”. This corresponded with the owner-manager’s view of ethical trading, (mentioned above). As one participant suggested integrity is defined “*as doing what you say you are going to do and honoring any commitment made to customers*”. The exception to the other eleven participants was one participant who defined a key personal value of “*treating people like you want to be treated*”. Three participants expressed a desire to “*put things right*” if they weren’t to the customer’s satisfaction, and as one owner-manager commented “*the service and product is the most important thing*”. This integrity angle was extended by three participants who explained that it is about “*behaving in a professional manner*” and that this was reflected in their “*statement of work*”. Two participants mentioned “*honesty*” as their main value, and one participant highlighted the integrity aspect when he suggested that “*I won’t double cross someone*”, and “*I never take money until the customer is happy*”. Other participant comments included that they “*would never copy anybody else*”, they wouldn’t “*compromise with customer data*”, and one participant expressed an internal value of “*not doing anything that’s not ethical*”.

Closely related to integrity were values relating to “*trust*” and “*long-term trusting relationships*” (two participants).

Some participants were less business oriented in their values with one participant highlighting “*being positive*” as a key value, whilst another participant suggested that “*family health and wellbeing*” were important factors and this latter participant suggested that “*ethics are more important to me than the financial side*”.

### **Risk tolerance of the participant owner-manager**

Any business decision involves an element of risk, and as one participant noted “*workwise you have to take a certain amount of risk to grow your business*”.

However, taking risks may involve ethical compromises, and the participants were asked what they thought about taking risks. Eleven of the 12 participants thought that they were “*calculated*” or “*educated*” risk takers, whilst one participant suggested that she looks at the “*risk / reward factors*” involved with any risky decision. Comments from participants suggested that taking risks were inevitable but as one owner-manager remarked “*when you believe in what you do it makes it easier to take a risk*”.

One participant thought that they were “*high risk in nature*”, another thought that they were “*reasonably conservative*”, and another “*risk averse*”. Each participant was asked on a scale of 1 to 10 with 10 being risky, where did they place themselves within that scale. In general, the participants placed themselves toward the upper end of the scale in terms of perceived riskiness.

#### **Additional issues to emerge from the underlying business ethics of the participant owner-manager**

1. The fact that the owner-managers play **multiple roles** within the company (seven participants). This was personified by one participant who suggested that “*I’m now a jack of all trades*”.
2. Six of the 12 participants are planning more educational training in the future, but the day-to-day running of the business is a mitigating factor to taking up this plan. As one participant suggested “*it’s kind of taken a back seat*”. Interestingly, two participants thought that their education was not being utilised in their current business with one participant in particular suggesting that “*it’s all pretty much wasted... if I could do it again I would*”. Therefore, a **lack of resources** such as time and money presented an issue for further training.
3. Three participants mentioned an association with **greed** and unethical behaviour. Participant comments included “*there are some people who want it all*” and, “*some people are greedy... they will do anything to succeed*”.

#### **4.4 Ethics and e-commerce**

##### **Key online issues from the owner-manager perspective**

There were a number of issues that the participants raised in relation to their experiences with online business, and this is broken into four main themes. The first

theme related to privacy and confidentiality type issues. Five participants thought that privacy was a key issue, whilst five other participants mentioned customer confidentiality. Two participants explicitly spoke of the issues in “*protecting customer identities and email addresses*”. One participant mentioned “*spamming*” as an issue.

Closely related to the first theme is the issue of security with nine of the 12 participants mentioning security in one form or another. Six participants mentioned “*security*” directly, whilst three participants suggested that “*remote access*” and “*wireless technology*” created a real issue. One participant spoke about “*protecting herself and the business*”, and another owner-manager raised the “*issue of viruses*”.

The third theme related to trust. Four of the 12 participants mentioned confidence in the “*information*” or “*product*”, whilst three participants mentioned credibility. Two participants mentioned that a key issue is about building online trust.

The fourth theme was the ‘other’ category with a number of different issues worthy of mention. Three participants expressed the issue that online contact needs to be followed up by face-to-face contact. One owner-manager mentioned “*intellectual property*” as an issue (which others identified as an issue in later questions). One participant suggested that “*power-cuts and breakdowns*” were an issue, whilst another mentioned that there were some “*real customer issues... issues with the customer data... customer’s having unrealistic expectations... and customer’s not understanding the legal side of things*”. The customer having unrealistic expectations was also supported by an observation by another participant.

The participants were then asked to think of the two most important ethical issues from an owner, and then a customer perspective, in relation to online business. This was an attempt to find out whether there were differences if the owner-manager considered the issues from a different point of view.

#### **Two key online ethical issues of the owner-manager (from an owner perspective)**

From the owner perspective there were a number of issues raised by the participants, and this is broken into four main themes.

Privacy and confidentiality type issues were again evident. Three participants thought that “*privacy*” was the most important issue, whilst one owner-manager also mentioned “*confidentiality*”. One participant expressed a concern over “*where the personal information was going*”.

Interestingly, only three participants mentioned “*security*” as a key issue from an owner perspective.

A far bigger proportion of participants related to the integrity type issues. Seven participants mentioned such things as “*professionalism*”, “*following through with promises*”, and “*meeting and exceeding customer’s expectations*”. Three participants mentioned a concern around “*are you actually getting what you think you are getting*”. One participant mentioned that it’s all about “*being open and honest*”, two participants mentioned the fact that the website is an “*extension of you*”, therefore “*ethically it needs to represent you*”, and to three participants it’s all about “*establishing trust*”.

The other issues were a little outside of the control of the owner- manager, with one participant again reiterating that “*people expect too much*”, and another participant expressing an issue with “*systems and servers going down*”.

### **Two key online ethical issues of the owner-manager (from a customer perspective)**

By far the biggest issue was around the ‘logistics’ of the actual trade. Seven of the participants were interested in getting what they had actually purchased, value for money, and meeting expectations. “*Quick efficient trades*”, “*robust systems*” and “*an easy to use site*” were also important issues around logistics, although it could be argued that these may be business issues, not necessarily ethical ones. Finding an “*easy way to contact people if things went wrong*”, and having “*good communication systems*” in place were also important issues that were raised by two participants.

“*Security*” was the next biggest issue with seven of the 12 participants mentioning this aspect. Of particular concern was “*security relating to credit card transactions*”.

Privacy and confidentiality type issues were a lesser issue with only two participants mentioning it. One participant mentioned the “*issue of spam*”, and another the issue of “*looking after customer data*”. One owner-manager also mentioned the issue of “*intellectual property*”.

One of the main research objectives in this study were the participant’s perceptions of online issues specifically relating to privacy/ security and intellectual property. We will now look at the results in these different areas.

### **Privacy / security issues and online business**

Interview questions were focused on certain aspects of privacy such as how the business obtained customer information, how they stored the information, and whether they utilised 3<sup>rd</sup> party lists in their business operation.

#### *Obtaining customer information*

There were four main ways that the participants obtained customer information. Ten of the participants used “*networking*”, “*existing clients*”, “*business cards*” and “*repeat business*” as the main form of soliciting new customers. The second main way was by contact “*through the website*” with seven participants using this as a forum for attracting customers. Five participants regularly employed “*cold calling*” techniques, whilst four participants also relied on “*word of mouth*”. To a lesser extent three participants used “*advertising*” to obtain customer information. Two participants used contacts through a 3<sup>rd</sup> party list or a database, and two participants through other associations, such as the “*computer society*”, “*retail outlets*”, “*exhibitions*” and “*online chat forums*”.

#### *Storing customer information*

There were three main ways that the participants stored customer information. Seven of the participants used “*secure databases*” and “*servers*” to store the information, whilst three participants kept the information in a personal laptop that had a password, but was not server secured. Two participants kept manual records.

Three of the participants made extensive use of “*Microsoft Outlook*”, whilst in a more secure fashion one participant used “*encrypted notebooks*”, and two participants used offsite web servers. One owner-manager ensured that on site servers were “*physically*

*secured*”, the only participant that raised this as an issue. Another participant used a “*unique login and password for customers*”.

### *3<sup>rd</sup> party lists*

Ten of the participants did not offer information to third parties, with the remaining two participants offering names in a restricted way. In terms of obtaining 3<sup>rd</sup> party lists, ten of the 12 participants would not obtain a 3<sup>rd</sup> party list, although one participant expressed an interest in obtaining a ‘targeted’ customer list. Two participants had considered obtaining a 3<sup>rd</sup> party list.

At this stage, security was already identified by our participants as being one of the main concerns of online business, because of this, the participant’s were then asked if they knew if customers were happy with the security on their site. All participants thought that because they hadn’t “*heard any complaints*”, or “*had any problems*”, that customers were happy with the security on their site. They were then asked if they had sought independent assessment on the security of their site. Only two of the participants had sought independent assessment, with 10 participants not having done so. Two participants indicated that they would probably look at it at some stage in the future, whilst five participants didn’t think they were big enough to have to worry about it yet. Typical comments included “*there’s really nothing on my website that they would need to feel worried about*” and “*we’re not big enough to be doing stuff like that yet*”.

One of the biggest security issues online is related to the acceptance of online payments, primarily by credit card. It is becoming an accepted way of transacting online and as seven of the participants acknowledged it is a major issue for customers. The participants were asked if they currently accept payments online, or if they were looking to do so in the future. Four participants accepted credit card payments, although two of these businesses process the credit cards manually. Only one participant didn’t want to deal with credit cards online in the future. Ten of the participants accepted online banking in their business and as one participant acknowledged “*we do everything online*”. Other interesting findings included the fact that seven of the twelve participants thought that their website was more of an

information / advertising site rather than e-commerce. Six participants offered an online order mechanism, and ten participants dealt in online banking.

### **Intellectual property issues and online business**

Ten of the participants thought that they had intellectual property (IP) issues with either a product or service offering. Seven participants thought that they had product IP, whilst five participants thought they had service IP. Only one participant considered that their business had both product and service IP. One particular participant holds “*lots of IP designs on behalf of customers*”, but has no specific IP with their product or service. All 10 participants who thought they had IP in their product or service thought that there was a ‘unique’ aspect to their product or service.

Given that there was universal acknowledgement that there was product or service IP in the business, the participants were then asked how they protected this IP. There were three main ways that the participants elaborated on. Eleven participants spoke of “*trademark*” and “*copyright*” protection. Seven of the 11 participants had actively sought legal opinion on trademarks copyrights and patents, whilst one participant had looked at “*copyrighting the company brand*”.

The second main way of protection was by the use of security, be it “*protected source code*”, by the use of personalised secure logins (three participants), “*secure operating systems*”, or by use of physical security of IP designs on site.

The third main way of protection was by the careful use of what was posted on the website. Either by using a “*pared down version*” of some of the tools and software (three participants), or being “*careful with some of the photos that are posted on site*”, particularly from a design perspective. One participant was looking to include something on the website that required people to ask for permission to use photos from the web-site. This particular participant utilised MP3 clips on the site (for sale) rather than having full versions of the songs posted on the site.

The participants were then asked if they were aware of the legislation that related to IP, and in particular online IP. One participant was not aware of any legislation, seven participants were aware of some legislation, but not in a in a great deal of detail, whilst the remaining four participants were aware of the legislation in some detail.

Eleven of the 12 participants mentioned copyrights or patents, whilst six participants mentioned specific legislation during the interview, notably the Crimes Act, The Privacy Act and Consumer Guarantees Act.

### **Additional issues to emerge from online issues from an ethical perspective**

1. Reference was made to **anti-spam legislation** recently introduced, and its importance to online business. It has made seven participants think about how they contact their customers, as well as their potential customers.
2. There was general consensus that the customer (or potential customer) needs to be followed up with some **face-to-face communication** (six participants), particularly with more complex products or emotive products and services, and that this contact would be useful for "*cementing a relationship*". Seven participants mentioned relationships as being very important to the business.
3. Where there's **emotion** attached to a product or service there is a need for face-to-face contact.
4. People will still want to **touch and feel** some type of products. As such, certain goods are ideal to purchase online, e.g. "*CD's or books*", but others aren't so ideal, such as "*grocery shopping*" or "*clothes*".
5. Due to the **lack of face-to-face** contact people try and "*haggle more with online trading*". That is, they see a product online for a certain price, and try to negotiate a price reduction, for example jewellery.
6. The issue of **trust generation** was a key issue for participants, and the use of "*pictures or graphics*" in the business website was suggested as being a useful tool to generate trust and /or emotion for customers visiting the site.
7. Some of the participants saw a **cultural element** associated with ethical issues online. Two participants suggested that in their experience certain cultures were less ethical to deal with, specifically "*Greek*" and "*Brazilian*" business people, and implied that this would make them wary about dealing with certain cultures. There was also a notion that "*trading in NZ is pretty ethical*", and that "*NZ websites are a lot safer*" than overseas ones.
8. Some participants expressed concerns about dealing with "**unknown companies**" online. If the company was "*reputable*" however, then there

were no problems, and this was especially so if using credit cards to make payments.

9. **“Security measures are getting a lot better”** and this is making people more comfortable with online trading, and in particular with putting their personal credit card details online.
10. There was evidence that the **security aspects** of the website were being **defaulted** to a 3<sup>rd</sup> party who had more knowledge of online security (six participants). For example, a web developer (three participants), or the bank (three participants).
11. The **cost of enforcing IP** issues is expensive and participants suggested that they wouldn't go down this line because of the cost & time involved, as well as the emotional cost associated with any legal action (six participants). This was particularly so with patents (five participants), and four of these five participants mentioned the ease of changing a product by “10%” to get around existing patent laws.

### **The next chapter**

The next chapter (five) will discuss the key findings in more detail and will interweave other researcher's findings and discussions into the chapter. Conclusions will then be able to be drawn from these discussions, and these conclusions will be highlighted in chapter six.



## Chapter Five – Discussion

*“The distinctive contribution qualitative research can make ... [is] to show how the (theoretically defined) elements identified are assembled or mutually laminated”.*  
(Silverman, 2005, p.55).

### 5.1 Introduction

This chapter discusses the findings outlined in chapter four, and interweaves them with previous research. The layout of chapter five follows the layout of chapter four, to aid with consistency and readability. As such, it is broken into three main areas: discussion on the importance of e-commerce, discussion on the underlying ethics or traits of the SME owner-manager, and lastly discussion on ethics and e-commerce, focusing specifically on privacy / security and intellectual property issues.

This interrelationship between the three areas is illustrated by the following diagram.

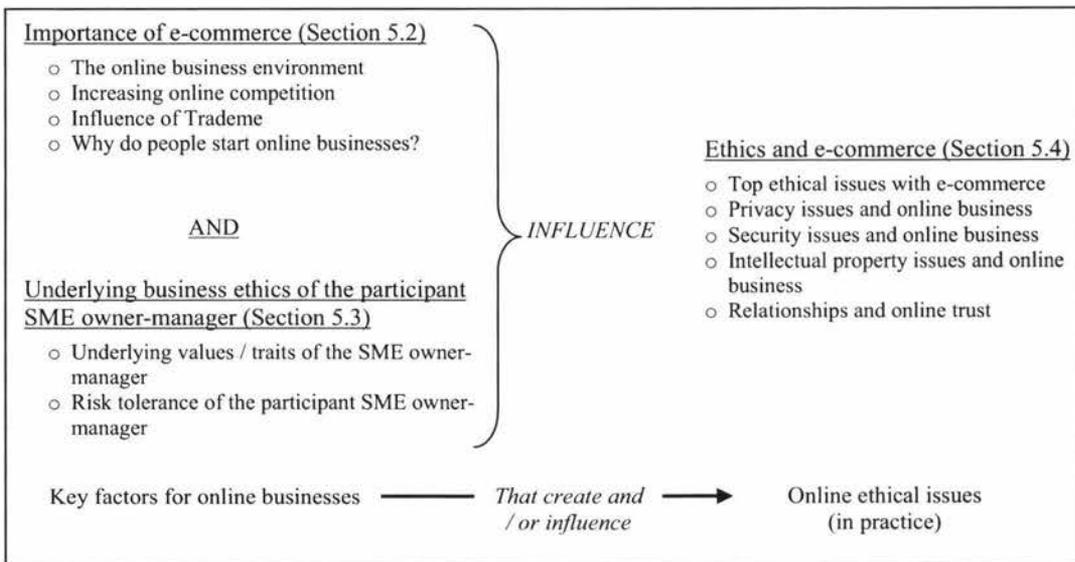


Fig. 6: Factors that influence e-commerce ethics

As Figure 6 illustrates, understanding key drivers for online businesses, such as the online business environment, online competition, and the underlying business ethics of the participant owner-managers, helps to understand the owner-managers business and ethical perspective. We will now look at the key drivers that influence ethical behaviour before discussing some of the ethical online issues.

## 5.2 Importance of e-commerce

### The online business environment

Salaman and Asch suggested that technology is a key factor that is changing the “rules of the game” (2003, p.1), a sentiment that was also shared by Hall and Rosson (2006). This implies that traditional businesses (i.e. bricks-and-mortar) are having to adapt because of technological changes such as e-commerce. Stockdale and Standing (2004) noted that, “the breadth of speed of the changes brought by the Internet have radically altered the business landscape” (p.301). This latter comment suggests that technology (including web technology) is influencing many industries, and that SMEs have to consider employing such technology in their business (Barbra-Sánchez et al., 2007). This is particularly so if competitors are employing elements of e-commerce and web technology. As one participant noted, “*all our clients are really computer savvy*” a comment also highlighted by Bart et al. (2005). Another participant suggested that, “*you need to be ahead of the general populace who are demanding it at the time*” which supports this point. This demand comes in the form of customer and supplier pressure, which are key motivators for SMEs adopting e-commerce (Quayle, 2002). E-commerce is predicted to change (and has changed) the business operations of many companies (MacGregor & Vrazalic, 2005; Poon & Swatman, 1999), and this view was endorsed by one participant who suggested that “*the industry is really changing*”. Comments from the interviews suggested that e-commerce has impacted on the participant SMEs in the following ways. It has enabled:

- The participant firms to survive in a very competitive world.
- The owner-manager to expand their business by introducing new product lines, or by entering new markets (including overseas markets).
- The owner-manager to attract new customers both locally and overseas.
- The owner-manager to communicate with their customers more efficiently.
- Enabled the owner-manager to reduce their overheads and costs.

These findings support recent research that highlights the benefit of SME e-commerce adoption. The following table summarises three recent studies.

### Benefits for SMEs e-commerce adoption

Kaynak, Tatoglu & Kula, 2005.	Barry & Milner, 2002	Quayle, 2002
<ul style="list-style-type: none"> <li>○ Offers direct links with customers and suppliers</li> <li>○ Facilitates information transfer</li> <li>○ Enables companies to develop new products and services for new and existing customers</li> <li>○ Allow companies to advertise/ market products around the world without physical contact with the customer or supplier</li> </ul>	<ul style="list-style-type: none"> <li>○ Global presence</li> <li>○ Improved competitiveness</li> <li>○ Mass customisation</li> <li>○ Shorten or eradicate supply chains</li> <li>○ Substantial cost savings</li> <li>○ novel business opportunities</li> </ul>	<ul style="list-style-type: none"> <li>○ Competitive advantage</li> <li>○ Cost saving / Time saving</li> <li>○ Improved supplier relations</li> <li>○ Better customer service</li> <li>○ Employment growth</li> <li>○ Improved accountability</li> <li>○ Own organisation</li> </ul>

Table 7

Seven participant owner-managers were of the view that e-commerce and e-business would be important in the future, and four thought it would be increasingly so. As one participant noted, “*it’s becoming more and more important*”, a view that is consistent with comments made by Van Beveren and Thomson (2002). This increasing importance of e-commerce has put pressure on SME owner-managers to employ up-to-date technologies in their business not only to survive, but also to compete. For online businesses this technology is primarily e-commerce or e-business based (McKay & Marshall, 2004), and involves effective, well designed websites (Tarafdar & Zhang, 2006). This pressure to keep pace with the latest trends in technology “*is very costly*”, something that both Quayle (2002) and MacGregor and Vrazalic (2005) identified as a barrier for SMEs e-commerce adoption. Cost is something that may well force ethical compromises on the part of the owner-manager, such as implementing a lower-cost security package. Stockdale and Standing (2004) argued that SMEs need to look further than only adopting e-commerce and suggested that SMEs should be looking at e-marketplace integration such as intermediaries or hierarchies. This is something that one participant has already investigated by looking at introducing a portal aspect to their website.

The literature suggested that external pressure from customers and other stakeholders is forcing SMEs to have an online component in their business (Quayle, 2002) and in this study there were indications that this was the case. As one participant commented, “*you have to be involved in online business*”, and another concluded that the business will simply “*fall behind if you don’t have an online component*”, sentiments also shared by Porter (2001) and Durkan et al. (2003). These comments highlight the importance that participant owner-managers placed on both e-

commerce, and a web presence. In essence, the website is a competitive necessity for small businesses (McCollum, 1998), a “strategic weapon” for SMEs to gain competitive advantage (Fillis et al., 2003, p.342). Hamid and Kassim, (2004) suggested that not having a website effectively amounted to a competitive disadvantage. Participant comments such as “*we wouldn't be competitive without it*”, and “*everyone uses websites these days*”, and “*there's a demand to keeping up with technology*” further support these researcher's claims.

### **Increasing online competition**

The pressure of employing newer technologies influences the competition for online SMEs and as one participant noted “*I don't know of any other business... that doesn't have a website*” which implied that newer (web-based) technology is also being employed by competitors.

This is positive on one hand, as it has allowed some participant SMEs to compete with other larger businesses (Keller, Powell, Horstmann, Predmore & Crawford, 2005; MacGregor & Vrazalic, 2005), and it has also allowed some participants to have a “global presence” (Barry & Milner, 2002, p.318). In this study, two of the twelve participant SMEs already export overseas and two others commented that they would like to do so in the future. One participant remarked that, “*it enables me to keep up a relationship with contacts from around the world*”, and another suggested that “*dealing with place like China and Indonesia will become a lot easier*” in the future. These comments imply that a country's boundaries are becoming less of a hindrance for SMEs (Riemenschneider & McKinney, 2002), and that e-commerce is actually “*making the world smaller*”.

On the other hand, this increased competition also has negative implications for the participant SMEs, particularly as it increases the number of competitors in the market, and also helps to disseminate information to competitors who may use this to the participant SMEs disadvantage. As one participant commented “*you get great ideas from other people's websites*”. Another participant suggested that you effectively educate the market by having a well informed website, an issue that Durkan et al. (2003) picked up on when they concluded that the Internet is a threat as well as an opportunity, as it allows competitors the same competitive advantage.

There is a suggestion in the literature that the freedom of information that the Internet brings, levels the 'playing field' between SMEs and larger businesses (Levenburg, 2005). This freedom of information creates ethical issues for participant owner-managers particularly on the IP front, and comments by the participants suggested that this puts additional strain on owner-managers to allocate resources (in terms of time and money) to prevent the 'unauthorised copying' of valuable information.

This increasing competition also exacerbates the survival issues for the participant SMEs. As it is relatively easy to start a new online business and "*you can set up something online pretty quickly... with not a lot of money*", this means that the participant SMEs are constantly under threat by existing (or new) competitors, all of whom are out to lure the participant SMEs customer base. This is supported by Kula and Tatoglu's (2003) view that, SMEs "can take advantage of the opportunities offered by the Internet which enables them to go global virtually overnight" (p.326). The literature highlighted a well documented problem with most types of start-up businesses with approximately 20% of businesses lasting 1 year (Nucci, 2001) and only 50% of start-up businesses lasting three years (Van Praag, 2003). In this study, comments from participants added weight to this literature as whilst there is acknowledgement that is relatively easy to set-up an online business, "*there are a lot of businesses that fail as well*", and "*a lot that crash and burn*". And, as another participant suggested, "*people think that it's easy [to run an online business] but it's usually far from it*".

The threat of online competitors, which may well be based overseas, has logistical and ethical challenges for the SMEs in this study. Does the participant SME try and compete head on with these potentially bigger customers? Or, does the participant SME portray themselves as a bigger player than they actually are (i.e. a "*smoke and mirror website*") in an effort to attract customers? These decisions are critical as making a wrong decision strategically, may well affect the business operationally, particularly in terms of meeting customer expectations. This may create conflict with values such as personal integrity and customer satisfaction, something the participant owner-managers rated very highly.

The threat of other companies being able to produce their products cheaper, or offer an alternative product to customers was also a real problem identified by the participants. Cheaper, copied products from competitors created both business and ethical issues for some participant owner-managers, and three participants highlighted IP concerns as a result. To counter these IP issues participants have to be particularly careful about what content is posted on the company website. For example, one participant is extremely conscious about what photos are posted on site and the level of detail, as their core product (jewellery) can be copied relatively easily. This issue of photos being an IP concern was highlighted by Schneider (2006). In another example, two participants are careful about the website content (words) as there are IP issues associated with this aspect of their business.

Stakeholders have a significant influence on the SME owner-managers ethical behaviour. As an example, government legislation dictates what businesses can and can't do online. As Foster noted, legislation introduced over the last 10 years or so "have forced companies to be even more careful in protecting the confidentiality and reliability" of information held on their systems (2005, p.44). A recent example in New Zealand was the anti-spam legislation which seven of the participants mentioned has made them think about how they contact their existing, as well as potential customers. According to one participant the new anti-spam law means that contact is "*always going have to be permission based*" suggesting that businesses must ask for customer permission to send online information (such as advertising) rather than assuming that the customers want to receive the information.

As there are substantial penalties for non-compliance this does have a significant impact on the way that businesses contact existing and potential customers. Other legislation mentioned by participants as influential in their online business was the Crimes Act, Privacy Act and Consumer Guarantees Act. Thus, legislation is an important part of the ethical framework under which the participant SME operates.

### **Influence of TradeMe\***

The impact that TradeMe has on online business practices was an interesting finding that emerged from the research. Every participant owner-manager mentioned it during the interview, and a few participants made the observation that it has influenced their view about trading online. For example, some participants now expect “*product delivery within 2-5 days*” as a result of their experience on TradeMe. Eleven participants mentioned that the online environment has changed as a result of TradeMe, and as one participant noted, “*for people with a busy lifestyle it’s such an easy way to do business*”. This ease of setting up and doing business on TradeMe has prompted two of the participants to consider selling some of their products on TradeMe. One participant commented that TradeMe is “*very addictive*”, and another suggested that, “*people get home from work and go straight on there*”, points that are echoed by Grace (2005). These comments imply that TradeMe offers services that capture e-loyalty whereby a customer buys repeatedly or displays a favourable attitude toward an electronic business (Anderson & Srinivason, 2003). As such, TradeMe is a popular online medium for both customers and business people alike (Stock, 2007).

The impact of TradeMe is both positive and negative for the SME owner-managers interviewed for this study. From a positive perspective participant comments suggested that TradeMe is developing people’s online trust, i.e. their positive experiences have engendered trust in using online media. As one participant suggested, “*people are comfortable buying and selling through TradeMe*”. This trend is likely to continue as more people become more confident about using technology, and the ‘eGeneration’, those people born from the early 1990s, start demanding online goods and services (Narayan, 2006). From a negative point of view TradeMe is creating a “*lot more competition*” for SMEs and in particular those SMEs who are selling products, as customers may well look on TradeMe to see if they can purchase the same item, or a similar item, for a cheaper price. This puts pressure on SMEs to compete with TradeMe, and may force ethical tradeoffs as a result (Hodgetts & Kuratko, 1998), such as selling lower quality products for the same price. Some

---

\* TradeMe is a New Zealand internet auction site. Individuals or companies purchase and sell products online. Online advertising is also a key part of the business model (Thompson, 2006). TradeMe was purchased by Fairfax in 2006, for \$NZ700 million. Website: [www.trademe.co.nz](http://www.trademe.co.nz)

participants, however, pointed out that some online products, particularly if they are complemented with a service (such as computer software), or require face-to-face contact (such as gardening services), are affected by TradeMe to a lesser degree. TradeMe acts as a 'vehicle' for small businesses to set up shop online and Mohan-Neill's (2006) study made a similar conclusion with Ebay. As one participant remarked "*maybe their product fits the online type of selling*". This obviously adds to the (potential) competition element.

### **Why do people start online businesses?**

The reasons as to why the participant owner-manager's started an online venture were interesting for two main reasons: firstly, it allowed the researcher to understand why the owner-manager was in business, and secondly, it allowed an insight into the owner-managers motivations with their business. Both of these reasons give the researcher a level of understanding about the participant and their business, which in turn leads to an appreciation of some of the ethical perspectives that the participant may have.

The two main reasons why the owner-manager got involved in the business were for personal interest (11 participants) or as a result of a niche opportunity (five participants). From the personal interest perspective, it is likely that the participant will be highly motivated to ensure that the business succeeds. This implication was highlighted by four participants who suggested that owner-managers need to have a "*passion for what they do*" and be "*motivated to make it work*". As one participant commented she will give "*120% of me not to fail*" and another suggested that "*I had to make it work*" which further emphasised this passion. The participants that got involved in the business as a result of a niche opportunity highlights the entrepreneurial spirit that a lot of SME owner-managers have (Childers Jr. & Offstein, 2007).

We will now look at these two aspects in more detail by considering the underlying ethics of the owner-manager.

### 5.3 Underlying business ethics of the participant SME owner-manager

It quickly became evident during the interviews that the owner-manager's personality was an integral part of the business, and that this personality set a foundation for how the business was to be run on a day-to-day basis. This leads us into the discussion of the personality characteristics of the SME owner-manager, a topic about which a great deal has been written.

#### **The trait approach**

Morris et al., (2002) asserted that the psychological characteristics of the small business entrepreneur represent one of the most heavily researched areas in the field of entrepreneurship. Even though there are limitations to what is known as the 'trait approach' (Robinson, Stimpson, Huefner & Hunt, 1991), this approach it is one of the most common ways to distinguish small business entrepreneurs from managers of larger businesses (Baum & Locke, 2004).

Lahdesmaki (2005) offered a model that suggested that the actual values of the small business owner shape the ethics of the business, but only when integrated with the influence of internal and external stakeholders. Lahdesmaki (2005) also made an interesting conclusion by suggesting that SMEs compete for customers by "operating in an ethically acceptable way", and that this business practice actually offers a point of differentiation (p.67). This conclusion was supported in this study by the owner-managers higher ethical stance. The owner-managers had a perception that they were extremely ethical in all their business dealings, and comments from the owner-managers suggested that this differentiated them from business people that were not quite as ethical.

The two strongest traits to emerge from our study were McClelland's need for achievement and calculated risk-taking. Let's consider these two traits in more detail and discuss how they impact on ethical behaviour.

#### *Need for achievement*

The literature suggested that SME owner-managers may want to achieve success because of their personal interest in the business, and because of the inherent risk that they undertake (Das & Teng, 1997). The need for achievement is a trait that is

frequently associated with entrepreneurial behaviour (Deakins & Freel, 2003; Lee & Tsang, 2001) and creates ethical considerations for SME owner-managers, for example, will the owner-manager be willing to compromise on their underlying values in order to make a profit?

Eleven of the 12 participants started their online venture because of personal interest and five of these participants thought that people start an online business because they see it as a *“quick way to make money”*. However, some participants commented that they *“would never double-cross someone”*, or *“do anything that’s not ethical”*, or *“use other people to get there”*. Whilst not elaborating on these comments, the implication is that these participants would not be willing to trade-off integrity for profit. In the words of one participant *“I don’t crush people to move ahead”* and another stated that *“ethics are more important to me than the financial side”*. These comments implied that acting with integrity, and with honesty is more important than being focused on profit at any cost. One participant suggested that the *“money side of things will take care of itself”* which further emphasised this point. Poon & Swatman’s (1999) research highlighted a similar finding by concluding that the Australian SMEs in their study were not driven by tangible profits. In total, 11 of the 12 participants mentioned values associated with integrity, for example, *“honoring any commitment made to customers”*, and one participant made an observation that owner-managers were probably looking for a profit/ ethics balance when he suggested that *“you have to be based around money because if you don’t make a profit you can’t survive, but I reckon you can have a balance as well”*. This comment raises a question as to what balance is considered acceptable? And, hints that there are probably varying degrees of ‘balance’, or ‘grey areas’ from the owner-manager perspective.

Interestingly though, some participants thought that other people they dealt with online were not quite as ethical as themselves as *“others are prepared to rip people off”*. There was also a suggestion by some participants that certain cultures are less ethical than other cultures, and that this is exacerbated with online business due to the lack of face-to-face contact. Two participants were specific with this point and mentioned that in their experience the Greek culture and Brazilian cultures were less ethical (than themselves). These comments raised an important point as the

participant owner-managers clearly felt that some people (customers and suppliers) they dealt with, particularly from an online context, were less ethical than themselves. The implication of this point is that this perception may well impact on the way that the owner-manager deal with certain ethnic groups in the future, and may ensure that the owner-manager is more 'guarded' about online trading with certain ethnic groups.

### *Risk-taking*

Risk-taking and need for achievement are closely linked, and as Frese, Brantjes & Hoorn, (2002) suggested taking risks "should be positively related to success" (p.263). Taking risks is primarily as a result of the SME owner-manager's drive to succeed, and because of this they may be influenced to take higher risks, in an effort to get higher rewards. One participant alluded to this point by suggesting that she takes risks in her business but considers the "*risk / reward*" trade-off. As SME owner-managers are entrepreneurial (Martin & Matlay, 2003) and innovative (Taylor & Murphy, 2004) in nature, they take risks in an attempt to achieve their goals. This was highlighted by one participant who commented that, "*to go to each level in business you have to take another risk*". Comments from the participant SME owner-managers suggested that they are willing to take higher risks in order to achieve success with their online venture, but not to the extent of compromising their underlying values, i.e. they will not compromise their integrity or service to customers. This finding endorses Bucar's (2003) conclusion that entrepreneurs display higher ethical behaviour than managers of larger companies because of the higher equity stakes and higher risks that entrepreneurs take.

As noted by Das and Teng (1997) risk-taking is one of the most distinctive features of entrepreneurial behaviour, as creating new businesses is in itself a risky business. This view was supported by one participant who suggested that "*you have to take a certain amount of risk to grow your business*". Risk is defined as the "willingness to commit to a course of action which may result in rewards or penalties associated with success or failure" (Welsch & Young, 1982, p.53). Longenecker, Moore, Petty and Palich suggested that when applied to a small business these penalties translate "into the possibility of losses associated with the assets and the earnings potential of the firm" (2003, p.463). Given the value that the participant owner-managers placed on

their “*identity*”, the loss of reputation would also be a significant loss for the businesses in the event of business failure.

Even though participant comments suggested that the participants perceived themselves as quite risky, 11 of the 12 participants thought that these risks were calculated or educated. As one participant said “*I’ll try and manage my risk exposure*”, and another participant commented that, “*I never like to owe money... and it’s quite easy to get into that cycle*”. These findings seem to correspond with conclusions that entrepreneurs are not only likely to be higher risk-takers (Das & Teng, 1997), but this risk is considered calculated, not a gamble (Deakins & Freel, 2003).

Some participants mentioned that their ability to tolerate risks have changed as their business has become more established. According to one participant “*taking risks has become a lot more conservative now as there’s a lot more to protect*”. Some other participants mentioned that their ability to tolerate risks had changed as they became older, and four participants mentioned that they weren’t willing to take quite the same risks as they did when they were younger. As one participant commented, “*once upon a time I would lie in bed and worry about how I was going to pay the bill... or where I was going to get customers from... I’m numb to that now*”. Such participant comments imply that there may well be a tenuous link between how old the participant is, how established the business is (or how long the participant has been in the business), and how much risk the participant owner-manager is willing to take.

As the previous pages attest, the SME environment and the underlying ethics of the SME owner-manager influence the way that this group of owner-managers do business, and the way that they perceive online ethical issues. Some of these online ethical issues will now be discussed.

#### **5.4 Ethics and e-commerce**

A lot of the online issues highlighted by the participant owner-managers have also been recognised by other research. Some of the top ethical issues from recent studies were highlighted in the literature review (page 14). The importance of understanding ethics and online business was underlined by the diversity of ethical concerns that the

participants highlighted in the interviews. There were over 10 different ethical issues that our participants identified, some of which will be discussed shortly. These ethical concerns are also likely to increase as newer technologies are employed by online businesses. As an example, McKay and Marshall suggested that improvements in technology such as “mobile devices and applications” (2004, p.319) will create additional ethical issues, such as the possibility of parties intercepting transmissions. Three SME participants gave weight to this suggestion, and believed that wireless technology has security and privacy flaws embedded in the technology.

Of specific focus in this study were the issues of privacy, security and intellectual property. All of these issues were identified by the participants as being ethical considerations for their online business, particularly privacy and security.

### **Privacy issues and online business**

Privacy is about “individual control over disclosure and subsequent uses of the personal information” (Westin, 1967, in Milne & Culnan, 2004, p.18). Sheehan (2002) suggested that people generally fall into three groups when asked about privacy, those who are highly concerned about privacy (25%), those who aren’t concerned (25%), and those who are pragmatic (50%). Ten of the 12 participant owner-managers were in the highly concerned group and recognised privacy as the biggest online ethical issue. This emphasised the importance that the participants placed on online privacy, and this perception is supported by Bowie & Jamal (2006) who highlighted three different surveys that stated that privacy is the number one issue on the web. Ackerman, Cranor and Reagle’s research found that 87% of respondents were concerned about privacy, 97% of Internet users did not want to share credit card information online, and 80% of respondents were not comfortable about sharing personal information such as phone number and income (1999, in Peslak, 2005).

Bowie & Jamal (2006) suggested that privacy issues have become more complicated as a result of the Internet, and Sipior et al. (2004) outlined six key effects on consumer’s privacy. These were (1) the loss of anonymity; (2) unintended uses of data collected; (3) surreptitious data collection; (4) trespassing into web users’ resources; (5) data sharing and, (6) direct market activities. All these issues are ethical

issues, and the only area not mentioned in the participant interviews was trespassing into web users' resources.

Data sharing was one area that our participant owner-managers were particularly vociferous about, and most were adamant that they would not disclose customer information to a 3<sup>rd</sup> party, nor would they accept a 3<sup>rd</sup> party list. An integrity conflict was highlighted by two participants that if they used 3<sup>rd</sup> party lists from another vendor, then they may be sending mixed messages to their customers. As one participant remarked, *"if you obtain 3<sup>rd</sup> party lists, how will your customers trust that you won't use their information in the same way. So it's best to not even go down that line"*. A lot of participants also thought that the new anti-spam laws impacted on data sharing, and means that they have to be particularly vigilant about sharing email addresses and contacts.

The participants were asked how they actually obtained customer information, in terms of getting new customers and updating existing customer information. The four main ways to get information was by networking, contact through the website, cold-calling and word-of mouth. Contact through the website raised particular privacy issues, and interestingly none of the participants actually had a privacy policy on their website, something that Shaw (2001) suggested was a good way to minimise online privacy issues. This finding was surprising given that privacy was identified as the major online ethical issue by the participants. This finding however is consistent with Peslak's (2005) conclusion that a privacy survey of smaller companies would get less attractive results than larger companies. Peslak's (2005) conclusion implied that larger companies may be able to allocate more resources to deal with online privacy issues.

Pollach (2005) highlighted the importance of privacy policies by suggesting that they may ease customer's privacy concerns "if they communicate clearly and unequivocally when, how and for what purpose data are collected, used or shared" (p.221). This implied that a privacy policy would long way to easing customers (and potential customers) concerns about privacy, and may be an area that the participants need to focus on. This is more so as all participants actually gather personal information via their website, and some have also gained customers through this

medium. However, further analysis of the participant websites revealed that all participants had a 'contact me', or 'contact us' page on their website, which at least gave the customer the opportunity to ask about privacy type issues.

Milne and Culnan (2004) outlined a real problem with privacy policies, and that is that they are only effective if people actually "read and use the information contained in the notices" (p.15). Thus, it seems logical that not only is a privacy policy required, but it also needs to be located somewhere that customer can find it, and be in a form that they will actually read and find useful. As Murphy (1998) suggested, "every web marketer should have an explicit policy statement on privacy. Ideally it should not be a legalised document but one that could easily be understood by a layperson" (in Caudill & Murphy, 2000, p.16).

In summary, there are real ethical issues regarding customer data, and one participant highlighted a key rhetorical question asking, "*where's the personal information going*". In essence, participants were primarily concerned about the collection, dissemination and storage of personal information by online businesses. Participants also said that they were concerned about the security of this personal information, and security with online trading in general. As one participant noted, "*I've had problems in the past with credit cards*".

### **Security issues and online business**

This study was interested in security issues as an offshoot of privacy. Spinello, Gallagher and Waddock also linked these two constructs when they suggested that, "we esteem privacy because of its indispensable role in guaranteeing a reasonable level of security" (2004, p.86). As the interviews progressed it became evident that security was in fact a huge ethical concern in its own right. This observation was supported by Miyazaki and Fernandez (2001) who suggested that security is often identified as one of the major concerns of e-commerce, and also by Iyengar who commented that, "securing internet commerce is probably the biggest challenge that information professionals have yet faced" (2004, p.90). Security was identified as the second biggest online issue by the participants (after privacy) and one participant underlined this importance by stating that, "*the biggest thing for me trading online is probably security*". Today, companies are facing new types of security threats such as

complex worms, viruses and trojans (Keller et al., 2005), and the risk of exposure to these threats is growing for SMEs as they integrate more complex technologies such as e-commerce (Marshall & Heffes, 2005).

Key issues highlighted in this study included the security of personal information, security of online transactions (primarily credit card transactions), as well as the security of files and servers containing company information. Participants were primarily concerned with the theft of personal and company information, and the security of online transactions was a major issue with most, if not all of the participants, with the collective view that credit card transactions were the biggest security issue. This supported Liebermann and Stashevsky's (2002) conclusion that Internet credit card stealing (and supplying of personal information) was identified as the two main perceived risks of transacting on the Internet.

The situation is changing however, and evidence from the interviews suggested that people were becoming more comfortable with transacting online, and this included putting personal details online (such as credit cards). As one participant remarked "*security measures are getting a lot better... and that is making people more comfortable*". As we have already mentioned, TradeMe has also influenced the participant owner-manager's perception of online security, and as some participants noted their experience with TradeMe has made them more comfortable with trading online. Most participants dealt in online banking and one participant provided a common response, "*we're comfortable enough [with the Internet] that we do all our banking on it*". As every participant was comfortable in doing business on the Internet this suggested a lower risk perception of online trading and security. Miyazaki and Fernandez (2001) found similar sentiments by discovering that "higher levels of Internet experience may lead to lower risk perceptions regarding online shopping and fewer specific concerns regarding system security and online retailer fraud yet more concerns regarding online privacy" (p.41).

This lower risk perception extended into the somewhat lax approach that the participants had to the security on their own website. Keller et al's. (2005) study concluded that many SME owner-managers "have little understanding of information security threats and risks" (p.7). In general, participants were extremely concerned

about online security, and in particular security with online transactions. Yet when they were asked if they thought that customers were happy with the security of their website, most of the participants were unsure how to answer, with most stating that because they hadn't heard any complaints then the security must be ok. Only two participants had sought independent assessment on the security of their website, with others defaulting the responsibility to the web designer or to a credit card company. Notable participant comments included, *"because it's designed by a professional web developing company... I trusted that everything was fine"* and, *"we assume everything is sweet as... I think that that's the way that most SMEs think"*. These comments suggested an element of naivety on the part of some participant owner-managers who recognised the importance of online security, yet surprisingly had a rather relaxed attitude when it came to the security on their website. This apathy has often been cited as a prime reason for security risks increasing (Keller et al., 2005).

There may be several reasons for this apathy: Firstly, the SME has scarce resources, and as such cannot dedicate a lot of money and time to the security issue (Riemenschneider & McKinney, 2002). Secondly, some of the participant SMEs had only a static or basic webpage that primarily offered information, rather than being a fully integrated e-commerce site. Thirdly, some participants had the view that they were simply not big enough to worry about it. As one participant stated *"we're not big enough to be doing stuff like that yet"*, and another remarked, *"if I get a 1000 people on ... and there's more at risk then I will move onto that next thing"*.

An independent security assessment is a key way that a company can assess the risk to their business operation. Iyengar's (2004) made an important conclusion when he suggested that *"the information security professional will continue to be of great value and will have to be heeded if systems are to retain customer confidence"* (p.95). A potential security problem that all online companies face is the possibility that somebody will try and 'hack' into their computer system. Knapp (2003) outlined three key challenging problems for e-commerce businesses as a result of hackers. Firstly, *"online businesses need to obtain an objective assessment of the threat that hackers actually pose for their operation"*. Secondly, they need to be aware of the common *"approaches and techniques"* for dealing with hacker and other security

issues (p.215). And thirdly, try and understand what motivates a hacker, and how vulnerable their business may actually be. One participant, a certified ethical hacker saw a “*real market*” for security professionals who sought to “*think like a hacker*” and tried and expose electronic weaknesses in a company’s infrastructure. These comments echoed Knapp’s (2003) view of trying to understand a hacker’s mentality. Knapp posed some questions such as what factors motivate hackers? And, “do most hackers share a common psychological profile” (2003, p.216).

Security and risk management is “often secondary or an afterthought” for small businesses (Foster, 2005, p.44-45), and research by Keller et al. (2005) concluded that one in six SMEs researched in their study did not have an emergency action plan in the event of an online security breach. These points constitute a timely warning for the participants in this study to be more security conscious, as the speed at which the company could ‘operationally’ recover from a major security breach (such as hacking) was highlighted as a key issue by Foster (2005).

### **Intellectual property (IP) issues and online business**

As noted by Kracher and Corritore (2004) IP is also in ‘bricks and mortar’ businesses but it “has a different manifestation and scope in e-commerce” (p.79). This is primarily because of the ease of sharing electronic media and files. For online businesses IP can be either in the products that the company offers, the service that they provide, or a combination of both. All 12 of the participant owner-managers thought that they had IP in either their product or service, and that the IP was primarily due to some unique aspect of the product or service. As one participant noted, “*with our product people want something unique*”.

The owner-managers thought that there were some significant IP issues with online businesses, and that there were some major data issues to consider such as “*what do we own and what do you own*”. One participant had actually encountered “*theft of ideas*” (IP) from a former employee.

Even though the participant owner-managers thought that protecting IP was an issue, most participants were quite lax about protecting IP in practice. As Kopp and Suter noted this “lack of self policing” gives an “illusion of acquiescence or other forms of

trademark abandonment” (2000, p.129) which actually put trademark protection at risk in the eyes of a court. Participant comments revealed three main reasons behind these relaxed attitudes and these are as follows:

1. The owner-manager didn't think that the IP needed protecting or it that it was too much effort to protect. As one participant stated, *“there is not much you can do about it... if you are going to worry about people copying... you are not going to have a life”*.
2. The owner-manager was unsure how to protect the IP.
3. The various IP laws are too complex, costly and time consuming to invoke. As one participant remarked with regard to enforcing IP, *“I probably wouldn't waste my time... it's an expensive and timely process”*. Another participant suggested that you *“need to only change the product by 10% to get around”* patent laws, a shared concern of four participants.

How then did the participants think that they could protect their IP? Firstly, they thought they would protect the IP by having good customer relations. Thus, if any other company copied their product or service, the good customer relationship that they had with their customer would create loyalty, and minimise the impact of losing the IP. Schneider (2006) suggested that *“good customer experiences can help create an intense feeling of loyalty toward the company and its product and services”* (p.181, emphasis added). The issue here of course is how to obtain (and retain) that loyalty, a task made more difficult because of the lack of face-to-face contact (Durkan et al., 2003). The second way that the participant owner-managers thought that they could protect their IP was by continually altering or improving the product or service. As one participant suggested, *“if someone steals something from us, by the time they get up and running with it, and making money out of it, it's likely that we moved on”*. Another participant also thought that by continually improving their product, and by using locally produced materials they could stay ahead of any competitor who copied their products. Two participants thought that the ubiquitous nature of the Internet meant that sharing of information was inevitable, and that this should be embraced rather than protected. As one participant said, *“we're not too worried about sharing our knowledge in the industry”* and another acknowledged that by educating your

customer you are actually educating the market, which further emphasised this point. This second participant also made the point that “*it’s relatively easy to reverse engineer software*”, which implies an air of inevitability that information can (and will) be shared. These latter points mirror the debate on whether information should be freely available via open sourced code, or copyright (Knapp, 2003).

Another issue that needs to be addressed concerns the participant’s knowledge of legislation relating to IP. All participants acknowledged that IP was an online issue, and all agreed that they had IP in their products and service. However, when asked about legislation for IP they had different knowledge levels and generally fell into three camps. Firstly, there were those participants who were aware of the legislation (4 participants), those who were aware of some of the legislation (7 participants), and those who were not aware of any legislation (1 participant). Of particular concern are those participants in the latter two categories, as this highlights a potential deficiency in the way that businesses receive or obtain legislative information. This presents an element of risk that could very easily be remedied by having a better knowledge system in place.

It is important to acknowledge that in general participants felt that New Zealand is a fairly “*non-corrupt society*”, that “*trading in NZ is pretty ethical*”, and that “*NZ websites are a lot safer*” than overseas ones. This raised some important discussion points for IP. Are the participant owner-managers right to be a bit more blasé in their approach to online IP? My view is that considering that the identity of people accessing the website is usually anonymous it is probably wiser to err on the side of caution. This is particularly so if the SMEs is looking to expand their Internet presence overseas, as there is a perception that overseas sites / companies are not as ethical as NZ ones. As one participant commented “*generally you trust NZ websites a lot more than overseas ones*”.

### **Relationships and online trust**

Most participants expressed the importance of relationships in their business, and felt that establishing trusting relationships was an integral part of their business. As one participant remarked, ethical business trading involves “*a two way relationship*” and, to another “*building up relationships is very important*”. Shaw (2001) suggested that

“both privacy and security are vital to the creation of trust and confidence in e-business” (p.3) and this creation of trust is essential for entrepreneurs to achieve competitive advantage in e-commerce (Childers Jr. & Offstein, 2007). These are relevant comments particularly given the importance that the participant owner-managers placed on privacy and security.

From an online perspective the establishment of trust is recognised as being a lot harder than traditional business because of the lack-of face-to-face contact. As Durkan et al. noted, “the remote and impersonal context of the Internet creates a new challenge for the development of trust” (2003, p.93). Childers Jr. and Offstein (2007) suggested that the personal focus on the customer (a primary value-added proposition) is lost when businesses extend into e-commerce. One participant mentioned that trusting relationships were an integral part of her business, and because of this limits her market to a “100 to a 150 kilometer radius from the business”. Interestingly, the participants who did not have a lot of resource tied up in their online business (i.e. time and money) tended to promote the need for face-to-face relationships.

Durkan et al. (2003) suggested that the lack of online trust is “grounded more in security concerns rather than a lack of physical face-to-face contact” (p.97), a sentiment shared by Roman (2007) who suggested that “security is the primary predictor of trust among online customers” (p.143). Durkan et al. (2003) highlighted three reasons for the lack of online trust; (1) the lack of face-to-face contact with customers and suppliers; (2) the widespread media attention given to online security breaches; and, (3) the lack of global legislation and/ or standardised online policies. Participants highlighted issues in all three areas, particularly ethical issues relating to the lack of face-to-face contact (six participants). This issue was also highlighted by Poon and Swatman whose research of Australian SMEs concluded that “many believe that either their offerings are not easily purchased over the Internet, or that they require some sort of face-to-face interaction (e.g. consultations) in addition to the web presence” (1999, p.11).

Koehn (2003) noted key issues for online trust relate to online privacy, the security of information (including credit cards), and delivery of the goods or service to customer

expectation. Four participant owner-managers thought that confidence in the information and product was very important for online trading.

Given the significance of trust with online business it is important that companies have procedures in place to create trust. Grabner-Kraeuter suggested that “in the near future trust will remain the decisive factor for success or failure of e-businesses” (2002 p.49). How then do online companies engender trust in customers and suppliers?

Koehn (2003) suggested businesses should preferably develop respect based trust and outlined 10 different ways to do this with third party trustmarks, such as TrustWatch and user-friendly transparent websites with feedback mechanisms standing out as the most practical solutions. Durkan et al. (2003) also suggested that businesses should brand their web site with trustmarks, which some participant SMEs did in the form Visa or Paypal. Kracher and Corritore (2004) suggested the use of an opt-in policy rather than an opt-out policy in terms of receiving information as the “the only conscientious instantiation of informed consent in the e-commerce environment” (p.88). This is something that our participants must consider with their websites, particularly given the importance that they placed on the recently introduced anti-spam legislation.

In summary, both privacy and security are perceived by our participant SME owner-managers as two of the most important ethical issues with online business, with IP recognised to a lesser degree. Shaw acknowledged the importance of privacy and security by noting that “both consumer and business-to-business marketing require the same interrelationships between trust, reputation, loyalty, privacy/ confidentiality and security” (2001, p.119). In addition, Roman (2007) found a link to customer satisfaction by concluding that “security followed by privacy had a strong influence on satisfaction” (p.143). A key question to ask then is: are the participant owner-managers doing everything they can to minimise or eliminate the issues within these 3 areas?

**The next chapter**

The next chapter makes five key conclusions as a result of the discussions made in this chapter. Implications for the participants and areas for further research will also be highlighted.



## Chapter Six – Conclusions

*“As the entire business of e-commerce evolves, so does its sensitivity to ethical considerations”.*  
(Maury & Kleiner, 2002, p.30).

What are the ethical perceptions of SME owner-managers in relation to online business? The research, of which this thesis is the realisation, sought to achieve two objectives related to this question. The first focused on online business practices, with the second more specifically focused on privacy, security and intellectual property. Having explored owner-manager perceptions, a number of interesting conclusions can be made, and this chapter is the outlet for these conclusions. Specifically, they relate to ethical complexity and change, legislative attentiveness, stakeholder influence and, e-commerce integration and ethical awareness. A further conclusion considers issues relating to thought versus practice, and stems from a reflexive approach on the part of the researcher with regard to ‘researching’ perceptions and the research process. Further research opportunities are highlighted later in the chapter.

### **Ethical complexity and change**

The findings from this study indicate that there are a wide range of ethical issues that need to be considered by owner-managers, with over ten different e-commerce ethical concerns highlighted by the participants. The concerns range from privacy and security issues to online trust, and the sheer diversity of concerns raised by participants highlight the ethical complexity of the online business environment. The findings also suggest that the evolutionary nature of the Internet will also attract newer ethical concerns in the future, such as security and privacy issues with associated wireless technologies.

The implication for the owner-managers in this study (as well as other businesses looking to trade online) is that they must address current concerns, as well as ensuring that they keep pace with technological change to ensure that future concerns are also addressed. Given the importance placed on e-commerce now, and in the future, addressing these ethical concerns is not only important for business survival, but also to allow the business to alleviate (or minimise) customer and supplier concerns with online trading. There is a research opportunity to investigate how these current (and

future) ethical concerns align with current ethical theories, some of which were highlighted in chapter two.

### **Legislative attentiveness**

The ethical framework under which businesses operate will also evolve as government legislation dictates what businesses can and can't do online. In this study, it was highlighted that privacy and anti-spam laws in NZ have affected the way that the owner-managers contact their customers and suppliers, and this has made the owner-managers adapt their business processes and procedures to comply with the new legislation. The implication for businesses is that they must keep pace with legislative changes that impact on their business. Evidence from this study however, suggests that in general, there is a 'knowledge gap' on the part of the owner-manager, a 'disconnect' between online legislation and the owner-managers awareness of this legislation.

From an ethical perspective this heightens the possibility of ethical compromises, as the implications of legislation may not be fully understood or implemented correctly, by the owner-manager.

### **Stakeholder influence**

The 'face' for an online business is the company website, and evidence from this study suggests that developing and maintaining the website creates ethical considerations for the owner-manager. Accurate reflection of both the owner-manager's personality and the business is important, and there is pressure on the owner-manager to keep the website maintained as the business evolves. This puts resource pressures on the business, particularly in terms of time and cost and / or a reliance on a web developer.

It was also highlighted in this study that a 'trusting' relationship (with both customers and suppliers) was a key way that owner-managers addressed some of the online ethical issues. Such issues included the way that the owner-managers dealt with customer and supplier information (privacy), and meeting and exceeding customer expectations with product delivery (integrity). Having trusting relationships with

customers and suppliers was highlighted as a critical success factor (CSF) by many of the owner-managers.

However, a lack of face-to-face contact with customers and suppliers creates difficulties in establishing this 'trusting' relationship. This is particularly so if the customer or supplier is based overseas, or in another part of the country. It is important then for the firm to establish an 'acceptable' level of compromise due to this limited face-to-face contact. There was strong evidence from the study that participants that had a static website relied more heavily on face-to-face contact with customers and suppliers. This is because they sell products and services that require face-to-face interaction and / or because they have established clientele who expect a personal (i.e. face-to-face) approach to business.

Given this level of stakeholder influence, future studies into the ethical components of e-commerce in SMEs may benefit from the extensive and useful contribution that stakeholder theory has made to the study of organisations in general.

### **E-commerce integration and ethical awareness**

There was a suggestion from the findings that online ethical issues are more likely to be considered by those SMEs with higher levels of e-commerce integration in the business. In general, participant SMEs with higher levels of e-commerce integration were inclined to be more serious about privacy and security issues. These SMEs tended to have copyright, trademark and patent protection on their products and services. SMEs that had an interactive online presence were inclined to have some awareness of the issues, but in general, felt that they were either too small to worry about them, or that they weren't really much of an issue. Those SMEs that had a fairly static online presence, and who use their website primarily for providing information displayed less awareness when asked some of the ethically based questions. At this end of the scale, owner-managers didn't really have any IP issues to consider, as they were primarily providing information rather than goods or services.

In terms of privacy, security and IP there are implications for owner-managers at both a micro and macro level. At a micro-level, owner-managers need to consider privacy statements on their company website. This privacy statement would in the first

instance help to create trust with the person visiting the site, and in the second instance show that the business is serious about protecting the privacy of personal data. For security, the use of secure PC's or databases is an absolute minimum for an online business, and independent security assessments should also be considered. These implications are supported by previous research. Owner-managers also need to take more responsibility in finding out how IP impacts on the business. This external support more than likely requires a governmental policy change that makes it easier for SMEs to find relevant legislative information, and pressure is required to change the existing IP laws to be more friendly and useable.

At a macro-level there needs to be changes to existing policies to communicate, educate and advise SMEs on how to address some of the ethical issues highlighted in this thesis. It is acknowledged by the researcher that there may be policies already in existence, but the lack of knowledge on the part of the participant owner-managers highlights (at the very least) a deficiency in the system in terms of communication, and this must be a concern for business and governmental authorities.

### **Thought versus action**

The two main ethical concerns identified by participants were security and privacy concerns, and these concerns have long been the concern of academic scholarship. Owner-managers spoke of their concern about online privacy issues, and were mainly worried about protecting the privacy of their customers and suppliers. There was also a concern about the security of this personal information, hence the close association with privacy and security. There was also a concern about security with online trading, in particular with credit card transactions. There was less concern about ethical issues with IP. However, in practice, these privacy and security concerns did not translate into business action for some of the participant SMEs. In some cases there was very little protection of customer and supplier privacy. Ten of the twelve participant websites had not undergone independent security checks, and this implied that in practice, security did not seem to be a major issue. These points underline a 'gap' between what the participants said (or thought) and what was happening in practice.

But, is this gap a direct consequence of the lack of resources, such as time and money, or a lack of technical knowledge on the part of the owner-manager? Or, is the gap a consequence of the methodology undertaken by the researcher? i.e. an outcome of the relationship and / or interaction between the researcher and participant? And, what influence does the researcher have? For instance, is the participant saying what they think the researcher wants to hear? These are significant questions that warrant further exploration.

### **6.1 Potential areas for further research**

From a theoretical perspective, and as mentioned earlier in the conclusion section, advancing this thesis in relation to ethical or stakeholder theory may progress knowledge in these two areas. In addition, given the perceived influence that participants highlighted with TradeMe, there is potential to advance institutional theory from an online ethics perspective.

As the participants in this study are well educated, and perceive themselves to be highly ethical, a study between education levels and ethical behaviour would also be a topical exercise. Future research exploring the notion that certain (online) cultures are less ethical than others would also be an interesting and valuable study that has both academic and practical implications. In addition, given the importance placed on technology now and in the future, an exploration into how newer technologies will impact on ethical behaviour (particularly wireless technologies) may be of significant value.

Further exploration of tenuous links raised in this thesis would also build on current SME knowledge. Given the owner-managers perception that that they were quite risky in their approach to business, as well as being highly ethical highlights a possible link between risk-taking and ethical behaviour. Another link is between risk-tolerance and age, with participants suggesting that their risk tolerance changed (decreased) as they became older. There was also a suggestion that the participants risk-tolerance alters as the owner-manager becomes more established in the business. There is an opportunity then to explore these links further.

A key aim of this study was to obtain a broad understanding of some of the online issues from an ethical perspective, but a more in-depth study with more participants may offer different results. In addition, it may be of interest to see if there are differences between industries. As this study looked specifically at SME owner-managers in NZ, it would be useful to do comparative studies both in NZ and overseas to validate the conclusions made in this study. This would certainly give a more comprehensive understanding of online ethical issues. These comparative studies make take the form of a comparison between large businesses and SMEs in NZ, or between SMEs in NZ and overseas SMEs. All of these businesses would have an online component to their business.

Lastly, as mentioned in the research limitations section the focus in this study is only on two aspects of online business, privacy and IP, with security being added as an offshoot of privacy. Further studies could incorporate other ethical aspects such as crime and legislation / governance. Further research is also required to substantiate participant implications highlighted throughout this conclusion chapter.

## **6.2 Final thoughts**

This study sought to explore the ethical perceptions of SME owner-managers in relation to online business. It has emerged from this study that both e-commerce and online ethics are highly topical research areas, and important to both the business and academic worlds. Given the evolutionary nature of e-commerce and online ethics, and the likelihood that ethical perceptions will also evolve, it is important that any future research looks to keep pace with these changes.

Potential future studies offer both practical and academic opportunities. From a practical perspective these studies will ensure that research is more closely aligned with current business practices, and this could address any gaps that appears in practice, such as the legislative attentiveness gap highlighted in this study. From an academic perspective, there is potential to challenge, or to add, to the current body of SME knowledge, as well as to add to social research by exploring the ‘disconnect’ between theory and action.



## Reference list

- Al-Qirim, N. (2005). An empirical investigation of an e-commerce adoption-capability model in small businesses in New Zealand. *Electronic Markets*, 15(4), 418–437.
- Anderson, R.E., & Srinivason, S.S. (2003). E-satisfaction and e-loyalty: A contingency framework. *Journal of Personal Selling and Sales Management*, 24(4), 263–278.
- Anti-spam unit raids kiwi home. (2007, December 20). *The Dominion Post*, p.A2.
- Baase, S. (1997). *A gift of fire: Social, legal, and ethical issues in computing*. Upper Saddle River, NJ: Prentice Hall.
- Barbra-Sánchez, V., del Pilar Martínez-Ruiz, M., & Jiménez-Zarco, A.I. (2007). Drivers, benefits and challenges of ICT adoption by small and medium sized enterprises (SMEs): A literature review. *Problems & Perspectives in Management*, 1, 104–114.
- Barry, N.E., & Milner, B. (2002). SMEs and electronic commerce: A departure from the traditional prioritisation of training? *Journal of European Industrial Training*, 26(7), 316–326.
- Bart, Y., Shankar, V., Sultan, F., & Urban, G.L. (2005). Are the drivers and role of online trust the same for all web sites and consumers? A large scale exploratory empirical study. *Journal of Marketing*, 69(4), 133–152.
- Baum, J. R., & Locke, E.A. (2004). The relationship of entrepreneurial traits, skills, and motivation to subsequent venture growth. *Journal of Applied Psychology*, 89(4), 587–598.
- Beck, R., Wigand, R.T., & König, W. (2003). Integration of e-commerce by SMEs in the manufacturing sector: A data envelopment analysis approach. *Journal of Global Information Management*, 13(3), 20–32.
- Beckinsale, M., Levy, M., & Powell, P. (2006). Exploring internet adoption drivers in SMEs. *Electronic Markets*, 16(4), 20–32.
- Bell, J. (1999). *Doing your research report: A guide for first time researchers in education*. Milton Keynes, UK: Open University Press.
- Bernard, H.R. (2006). *Research methods in anthropology: Qualitative and quantitative approaches* (8<sup>th</sup> ed.). Oxford, UK: Altamira Press.

- Black, J. (2000). Fermenting change: Capitalizing on the inherent change found in dynamic non-linear (or complex) systems. *Journal of Organizational Change*, 13(6), 520-525.
- Bowie, N.E. (2005). Digital rights and wrongs: Intellectual property in the information age. *Business and Society Review*, 110(1), 77-96.
- Bowie, H., & Jamal, K. (2006). Privacy rights on the internet: Self-regulation or Government regulation? *Business Ethics Quarterly*, 16(3), 323-342.
- Brody, R. (2006). Information ethics in the business research environment. *Online*, 30(1), 38-41.
- Bucar, B. (2001). Ethics of business managers vs. entrepreneurs. *Journal of Developmental Entrepreneurship*, 6(1), 59-82.
- Budd, L., & Clear, F. (2003). The business environment for e-commerce. In P. Jackson, L. Harris & P.M. Eckersley (Eds.), *E-business fundamentals* (pp. 13-42). NY: Routledge.
- Bush, V., Ferrell, L., Bush, A., & Ferrell, O.C. (2003). Investigating the relationship between corporate values and practices of marketing organisations and internet ethics: An exploratory study. *Marketing Management Journal*, 13(2), 1-13.
- Calluzzo, V. J., & Cante, C. J. (2004). Ethics in information technology and software use. *Journal of Business Ethics*, 51, 301-312.
- Cameron, A., & Massey, C. (1999). *Small and medium-sized enterprises: A New Zealand perspective*. Auckland, NZ: Addison Wesley Longman.
- Caudill, E. M., & Murphy, P. E. (2004). Consumer online privacy: Legal and ethical issues. *Journal of Public Policy and Marketing*, 19(1), 7-19.
- Cavana, R.Y., Delahaye, B.L., & Sekaran, U. (2001). *Applied business research: Qualitative and quantitative methods*. Queensland, Australia: John Wiley & Sons.
- Cheesman, H.R. (2007). *The legal environment of business and online commerce* (5<sup>th</sup> ed.). Upper Saddle River, NJ: Pearson Education.
- Chen, L., Haney, S., Pandzik, A., Spigarelli, J., & Jesseman, C. (2003). Small business internet commerce: A case study. *Information Resource Management Journal*, 16(3), 17-41.

- Cheung, C.M.K., & Lee, M.K.O. (2001). Trust in internet shopping: Instrument development and validation through classical and modern approaches. *Journal of Global Information Management*, 9(3), 23–35.
- Childers Jr, J., & Offstein, E. (2007). Building entrepreneurial e-commerce competitive advantage: A blending of theory and practice. *Advances in Competitive Research*, 15(1/2), 41–53.
- Chrisman, J.J. & Fry, F.L. (1982). Public versus business expectations: Two views on social responsibility for small business. *Journal of Small Business Management*, 2(1), 19-26.
- Cooper, D.R., & Schindler, P.S. (1998). *Business research methods* (6<sup>th</sup> ed.). Singapore: McGraw-Hill.
- Creswell, J.W. (1994). *Research design: Qualitative and quantitative approaches*. London: Sage.
- Creswell, J.W. (2003). *Research design: Qualitative, quantitative, and mixed methods approaches* (2<sup>nd</sup> ed.). Thousand Oaks, CA: Sage.
- Creswell, J.W. (2007). *Qualitative enquiry and research design: Choosing among five approaches* (2<sup>nd</sup> ed.). Thousand Oaks, CA: Sage.
- Crotty, M. (1998). *The foundations of social research: Meaning and perspective in the research process*. St Leonards, Australia: Allen & Unwin.
- Daniel, E., Wilson, H., & Myers, A. (2002). Adoption of e-commerce by SMEs in the UK: Towards a stage model. *International Small Business Journal*, 20(3), 253–270.
- Das, T. K., & Teng, B. (1997). Time and entrepreneurial risk behavior. *Entrepreneurship, Theory and Practice*, 22(2), 69–88.
- D'Aveni, R. A. (1994). *Hypercompetition: Managing the dynamics of strategic maneuvering*. NY: The Free Press.
- Deakins, D., & Freel, M. (2003). *Entrepreneurship and small firms* (3<sup>rd</sup> ed.). Berkshire, UK: McGraw-Hill Education.
- DeFago, S. H., & Bockanic, W.N. Legal and ethical issues in the operation of a business website. *Marketing Management Journal*, 16(1), 204–215.
- De George, R.T. (1999). *Business Ethics* (5<sup>th</sup> ed.). Upper Saddle River, NJ: Prentice Hall.

- Denzin, N.K. (2004). The art and politics of interpretation. In S.N. Hesse-Biber & P. Leavy (Eds.), *Approaches to qualitative research: A reader on theory and practice* (pp. 447-472). NY: Oxford University Press.
- De Wit, B., & Meyer, R. (2004). *Strategy: Process, Content Context. An International Perspective* (3<sup>rd</sup> ed.). London: Thomson Learning.
- Dhillon, G.S., & Moores, T.T. (2001). Internet privacy: Interpreting key issues. *Information Resources Management Journal*, 14(4), 33–37.
- Dholakia, R. R., & Kshetri, N. (2004). Factors impacting the adoption of the internet among SMEs. *Small Business Economics*, 23(4), 311–322.
- Doolin, B., Dillon, S., Thompson, F., & Corner, J.L. (2005). Perceived risk, the internet shopping experience and online purchasing behavior: A New Zealand perspective. *Journal of Global Information Management*, 13(2), 66–88.
- Dorsten, L.E., & Hotchkiss, L. (2005). *Research methods and society: Foundations of social inquiry*. Upper Saddle River, NJ: Pearson Education.
- Durkan, P., Durkin, M., & Gillen, J. (2003). Exploring efforts to engender on-line trust. *International Journal of Entrepreneurial Behaviour and Research*, 9(3), 93–110.
- Easterby-Smith, M., Thorpe, R., & Williams, J.M. (1991). *Management research: An introduction*. London: Sage.
- Fassin, Y. (2000). Innovation and ethics. Ethical considerations in the innovation business. *Journal of Business Ethics*, 27, 193–203.
- Fassin, Y. (2005). The reasons behind non-ethical behaviour in business and entrepreneurship. *Journal of Business Ethics*, 60, 265–279.
- Fillis, I., Johansson, U., & Wagner, B. (2003). A conceptualisation of the opportunities and barriers to e-business development in the smaller firm. *Journal of Small Business and Enterprise Development*, 10(3), 336–344.
- Fink, D. (1998). Guidelines for the successful adoption of information technology in small and medium enterprises. *International Journal of Information Management*, 18(4), 243–253.

- Frese, M., Brantjes, A., & Hoorn, R. (2002). Psychological success factors of small scale businesses in Namibia: The roles of strategy process, entrepreneurial orientation and the environment. *Journal of Developmental Entrepreneurship*, 7(3), 259–282.
- Fritzsche, D.J. (1997). *Business ethics: A global and managerial perspective*. Singapore: McGraw-Hill.
- Foster, P.C. (2005). Managing e-business risk to mitigate loss. *Financial Executive*, 21(5), 43–45.
- Foxman, E.R., & Kilcoyne, P. (1993). Information technology, marketing practice, and consumer privacy: Ethical issues. *Journal of Public Policy and Marketing*, 12(1), 106–119.
- Gilmore, A., Carson, D., & Grant, K. (2001). SME marketing in practice. *Journal of Business Ethics*, 19(1), 6–11.
- Grabner-Kraeuter, S. (2002). The role of consumers' trust on online-shopping. *Journal of Business Ethics*, 39, 43–50.
- Grace, K. (2005). Saturday night's alright for trading. *NZ Marketing Magazine*, 24(2), 41.
- Hall, J., & Rosson, P. (2006). The impact of technological turbulence on entrepreneurial behaviour, social norms and ethics: Three internet based cases. *Journal of Business Ethics*, 64, 231–248.
- Hamid, N.R.A., & Kassim, N. (2004). Internet technology as a tool in customer relationship management. *The Journal of American Academy of Business*, 4 (1/2), 103-108.
- Hannafey, F.T. (2003). Entrepreneurship and ethics: A literature review. *Journal of Business Ethics*, 46, 99–110.
- Hart, C. (1998). *Doing a literature review: Releasing the social science research imagination*. London: Sage.
- Havelka, D., & Neal, C.S (2006). Can Spam. *Journal of Accountancy*, 201(1), 33–34.
- Hemingway, C.A. (2005). Personal values as a catalyst for corporate social entrepreneurship. *Journal of Business Ethics*, 60, 233–249.
- Hemphill, T.A. (2002). Electronic commerce and consumer privacy: Establishing online trust in the U.S. digital economy. *Business and Society Review*, 107(2), 221–239.

- Hignett, S., & Wilson, J. (2004). The role for qualitative methodology in ergonomics: A case study to explore theoretical issues. *Theoretical Issues in Ergonomics Science*, 5(6), 473–493.
- Hodgetts, R.M., & Kuratko, D.F. (1998). *Effective small business management* (6<sup>th</sup> ed.). Orlando, FL: Harcourt.
- Humphreys, N., Robin, D., Reidenbach, R. E. & Moak, D. (1993). The ethical decision making process of small business owner/ managers and their customers. *Journal of Small Business Management*, 31(3), 9-22.
- Iyengar, J.V. (2004). A discussion of current and potential issues relating information security for internet communications. *Competitiveness Review*, 40(1/2), 90–95.
- Jackson, P., & Eckersley, P.M. (2003). Organizations in the electronic age. In P. Jackson, L. Harris & P.M. Eckersley (Eds.), *E-business fundamentals* (pp. 3-10). NY: Routledge.
- Jamal, K., Maier, M., & Sunder, S. (2003). Privacy in e-commerce: Development of reporting standards, disclosures and assurance services in an unregulated market. *Journal of Business Ethics*, 41(2), 285–309.
- Kaynak, E., Tatoglu, E., & Kula, V. (2005). An analysis of the factors affecting the adoption of electronic commerce by SMEs: Evidence from an emerging market. *International Marketing Review Management*, 22(6), 623–640.
- Keller, S., Powell, A., Horstmann, B., Predmore, C., & Crawford, M. (2005). Information security threats and practices in small businesses. *Information Systems Management*, 22(2), 7–19.
- Kelly, E.P., & Rowland, H.C. (2000). Ethical and online privacy issues in electronic commerce. *Business Horizons*, 43(3), 3–12.
- Kershaw, P. (2007, December 10). SMEs face many IT challenges. *The Dominion Post*, p.C4.
- Knapp, M.C. (2003). *E-Commerce: Real Issues & Cases*. Ohio, USA: Thomson Learning.
- Koehn, D. (2003). The nature and conditions for online trust. *Journal of Business Ethics*, 43(1/2), 3–19.

- Kopp, S. W., & Suter, T.A. (2000). Trademark strategies online: Implications for intellectual property protection. *Journal of Public Policy and Marketing*, 19(1), 119–131.
- Kracher, B., & Corritore, C.L. (2001). Is there a special e-commerce ethics? *Business Ethics Quarterly*, 14(1), 71–94.
- Kula, V., & Tatoglu, E. (2003). An exploratory study of Internet adoption by SMEs in an emerging market economy. *European Business Review*, 15(5), 324–333.
- Laczniak, G.R., & Murphy, P.E. (2006). Marketing, consumers and technology: Perspectives for enhancing ethical transactions. *Business Ethics Quarterly*, 16(3), 313–321.
- Lahdesmaki, M. (2005). When ethics matters: Interpreting the ethical discourse of small nature-based entrepreneurs. *Journal of Business Ethics*, 61, 55–68.
- Lee, D. Y., & Tsang, E.W.K. (2001). The effects of entrepreneurial personality, background and network activities on venture growth. *Journal of Management Studies*, 38(4), 583–602.
- Lee, M.K.O., & Turban, E. (2001). A trust model for consumer internet shopping. *International Journal of Electronic Commerce*, 6(1), 75–91.
- Levenburg, N.M. (2005). Does size matter? Small firms' use of e-business tools in the supply chain. *Electronic Markets*, 15(2), 94–105.
- Levy, M., & Powell, P. (2003). Exploring SME internet adoption: Towards a contingent model. *Electronic Markets*, 13(2), 173–181.
- Levy, M., Powell, P., & Worrall, L. (2005). Strategic intent and e-business in SMEs: Enablers and inhibitors. *Information Resources Management Journal*, 18(4), 1–20.
- Liebermann, Y., & Stashevsky, S. (2002). Perceived risks as barriers to internet and e-commerce usage. *Qualitative Market Research: An International Journal*, 5(4), 291–300.
- Longenecker, J.G., McKinney, J. A. & Moore, C. W. (1989a). Ethics in small business. *Journal of Small Business Management*, 27(1), 27–31.
- Longenecker, J.G., McKinney, J.A. & Moore, C. W. (1989b). Do smaller firms have higher ethics? *Business and Society Review*, 71, 19-21.

- Longenecker, J.G., Moore, C. W., Petty, J.W., & Palich, L.E. (2006). *Small business management: An entrepreneurial emphasis* (13<sup>th</sup> ed.). Ohio, USA: Thomson.
- Longenecker, J.G., Moore, C. W., Petty, J.W., Palich, L.E., & McKinney, J.A. (2006). Ethical attitudes in small businesses and large corporations: Theory and empirical findings from a tracking study spanning three decades. *Journal of Small Business Management*, 44(2), 167–183.
- MacGregor, R.C., & Vrazalic, L.V. (2005). A basic model of electronic commerce adoption barriers: A study of small regional businesses in Sweden and Australia. *Journal of Small Business and Enterprise Development*, 12(4), 510–527.
- Marshall, K. P. (1999). Has technology introduced new ethical problems? *Journal of Business Ethics*, 19, 81–90.
- Marshall, J., & Heffes, E.M. (2005). Security issues rise as automation gains. *Financial Executive*, 21(8), 12.
- Martin, L.M., & Matlay, H. (2003). Innovative use of the internet in established small firms: The impact of knowledge management and organisational learning in accessing new opportunities. *Qualitative Market Research: An International Journal*, 6(1), 18–26.
- Martin, K. E., & Freeman, R.E. (2004). The separation of technology and ethics in business ethics. *Journal of Business Ethics*, 53, 353–364.
- Martin, L. (2005). Internet adoption and use in small firms: Internal processes, organisational culture and the roles of the owner-manager and key staff. *New Technology Work and Employment*, 20(3), 190–204.
- Massey, C. (2005). Introduction. In C. Massey (Ed.). *Entrepreneurship and small business management in New Zealand* (pp. v-vii). Auckland, NZ: Pearson Education.
- Maury, M.D., & Kleiner, D.S. (2002). E-commerce, ethical commerce? *Journal of Business Ethics*, 36, 21–31.
- Maxwell, J.A. (1996). *Qualitative research design: An interactive approach*. Thousand Oaks, CA: Sage.
- McCarthy, E. (2006). Protecting client data: Think you're too small to be noticed? Think again. *Journal of Financial Planning*, 19(6), 26–31.
- McCollum, T. (1998). E-commerce takes off. *Nation's Business*, 86(10), 34-36.

- McKay, J., & Marshall, P. (2004). *Strategic Management of eBusiness*. Queensland, Australia: John Wiley & Sons.
- Merriam, S.B. (1988). *Case study research in education: A qualitative approach*. San Francisco, CA: Jossey-Bass.
- Miles, M.P., Munilla, L.S. & Covin, J.G. (2004). Innovation, ethics, and entrepreneurship. *Journal of Business Ethics*, 54, 97–101.
- Milne, G.R., & Culnan, M.J. (2004). Strategies for reducing online privacy risks: Why consumers read (or don't read) online privacy notices. *Journal of Interactive Marketing*, 18(3), 15–29.
- MED (2007). *SMEs in New Zealand: Structure and dynamics 2007*. Retrieved Jan 7, 2008, from [http://www.med.govt.nz/templates/StandardSummary\\_\\_\\_13964.aspx](http://www.med.govt.nz/templates/StandardSummary___13964.aspx)
- Mitnick, K.D., & Simon, W.L. (2002). *The art of deception*. Indianapolis, Indiana: Wiley.
- Mitnick, K.D., & Simon, W.L. (2005). *The art of intrusion*. Indianapolis, Indiana: Wiley.
- Miyazaki, A.D., & Fernandez, A. (2001). Consumer perceptions of privacy and security risks for online shopping. *Journal of Consumer Affairs*, 35(1), 27–44.
- Mohan-Neill, S. (2006). An analysis of factors which influence small businesses' decision to have a website and to conduct online selling. *The Journal of American Academy of Business*, 8(2), 204–209.
- Morris, M.H., Schindehutte, M., Walton, J., & Allen, J. (2002). The ethical context of entrepreneurship: Proposing and testing a developmental framework. *Journal of Business Ethics*, 40, 331–361.
- MUHEC. (2007). *Code of ethical conduct for research, teaching and evaluations involving human participants*. Retrieved May 3, 2007, from <http://humanethics.massey.ac.nz/massey/research/ethics/human-ethics/code/code.cfm>
- Narayan, L. (2006). The eGeneration. *NZ Marketing Magazine*, 25(9), 11-11.
- Nucci, A.R. (2001). The demography of business closings. *Small Business Economics*, 12(1), 25-39.
- O'Keefe, R.M., O'Connor, G., & Kung, H.J. (1998). Early adopters of the web as a retail medium: Small company winners and losers. *European Journal of Marketing*, 32(7/8), 629–643.

- Palmer, D.E. (2005). Pop-ups, cookies, and spam: Toward a deeper analysis of the ethical significance of internet marketing practices. *Journal of Business Ethics*, 58, 271–280.
- Patel, N.V. (2003). E-commerce technology. In P. Jackson, L. Harris & P.M. Eckersley (Eds.), *E-business fundamentals* (pp. 43-63). NY: Routledge.
- Peräkylä, A. (2004). Reliability and validity in research based on naturally occurring social interaction. In D. Silverman (Ed.). *Qualitative research: Theory, method and practice* (2<sup>nd</sup> ed., pp. 283-304). London: Sage.
- Peslak, A.R. (2005). Internet privacy policies: A review and survey of the fortune 50. *Information Resources Management Journal*, 18(1), 29–41.
- Pollach, I. (2005). A typology of communicative strategies in online privacy policies: Ethics, power and informed consent. *Journal of Business Ethics*, 62(3), 221–235.
- Poon, S., & Swatman, P.M.C. (1997). Small business use of the Internet: Findings from Australian case studies. *International Marketing Review*, 14(5), 385–402.
- Poon, S., & Swatman, P.M.C. (1999). An exploratory of small business Internet commerce issues. *Information and Management*, 35(1), 9–18.
- Porter, M.E. (2001). Strategy and the Internet. *Harvard Business Review*, 79(3), 62–78.
- Quayle, M. (2002). E-commerce: The challenge for UK SMEs in the twenty-first century. *International Journal of Operations and Production Management*, 22(10), 1148–1161.
- Rappa, M. (2001). *Business models on the web*. Retrieved July 15, 2007, from <http://digitalenterprise.org/models/models.html>
- Rao, S.S., Metts, G., & Monge, C.A.M. (2003). Electronic commerce development in small and medium sized enterprises: A stage model and its implications. *Business Process Management Journal*, 9(1), 11–31.
- Riemenschneider, C.K., & McKinney, V. (2002). Assessing belief differences in small business adopters and non-adopters of web-based e-commerce. *Journal of Computing Information Systems*, 42(2), 101–107.
- Robinson, P.B., Stimpson, D.V., Huefner, J.C., & Hunt, H.K. (1991). An attitude approach to the prediction of entrepreneurship. *Entrepreneurship: Theory and Practice*, 15(4), 13–31.
- Robson, C. (2005). *Real world research* (2<sup>nd</sup> ed.). Oxford, UK: Blackwell.

- Roman, S. (2006). The ethics of online retailing: A scale development and validation from the consumers' perspective. *Journal of Business Ethics*, 72(2), 131–148.
- Rubin, H.J., & Rubin, I.S. (2005). *Qualitative interviewing: The art of hearing data* (2<sup>nd</sup> ed.). Thousand Oaks, CA: Sage.
- Salaman, G., & Asch, D. (2003). *Strategy and capability: Sustaining organizational change*. Malden, MA: Blackwell.
- Sarantakos, S. (2005). *Social research* (3<sup>rd</sup> ed.). Basingstoke, Hampshire, UK: Palgrave Macmillan.
- Sarathy, R., & Robertson, C.J. (2003). Strategic and ethical considerations in managing digital privacy. *Journal of Business Ethics*, 46, 111–126.
- Scarborough, N.M., & Zimmerer, T.W. (2006). *Effective small business management: An entrepreneurial approach* (8<sup>th</sup> ed.). Upper Saddle River, NJ: Pearson Education.
- Schlenker, L., & Crocker, N. (2003). Building an e-business scenario for small business: The IBM SME Gateway project. *Qualitative Market Research: An International Journal*, 6(1), 7–17.
- Schneider, G. (2006). *Electronic commerce* (8<sup>th</sup> ed.). USA: Thomson Learning.
- Schostak, J. (2006). *Interviewing and representation in qualitative research*. NY: McGraw-Hill.
- Shaw, P. (2001). *E-business privacy and trust: Planning and management strategies*. NY: John Wiley & Sons.
- Sheehan, K.B. (2002). Toward a typology of internet users and online privacy concerns. *The Information Society*, 18(1), 21–32.
- Silverman, D. (2005). *Doing qualitative research* (2<sup>nd</sup> ed.). London: Sage.
- Silverman, D. (2006). *Interpreting qualitative research* (3<sup>rd</sup> ed.). London: Sage.
- Simpson, M., & Docherty, A.J. (2004). E-commerce adoption support and advice for UK SMEs. *Journal of Small Business and Enterprise Development*, 11(3), 315–328.
- Sipior, J.C., Ward, B.T., & Rongione, N.M. (2004). Ethics of collecting and using consumer internet data. *Information Systems Management*, 21(1), 58–66.
- Spence, L.J. (2003). The ethics environment for e-business. In P. Jackson, L. Harris & P.M. Eckersley (Eds.), *E-business fundamentals* (pp. 133-151). NY: Routledge.

- Spinello, R.A., Gallagher, J., & Waddock, S. (2004). Managing workplace privacy responsibility. In L.L Johnson & V.E Johnson (Ed.), *Social, ethical and policy implications of information technology*. (pp. 74-97). Hershey, PA: Information Science.
- Standing, C., & Benson, S. (2000). An effective framework for evaluating policy and infrastructure issues for e-commerce. *Information Infrastructure and Policy*, 6(4), 227–236.
- Statistics New Zealand (2006). *Business demographic statistics*. Retrieved May 3, 2007, from <http://www2.stats.govt.nz/domino/external/pasfull/pasfull.nsf/7cf46ae26dcb6800cc256a62000a2248/4c2567ef00247c6acc2570bd000fb33a?OpenDocument>
- Stead, B.A., & Gilbert, J. (2001). Ethical issues in electronic commerce. *Journal of Business Ethics*, 34, 75–85.
- Strauss, A.L. (1987). *Qualitative analysis for social scientists*. NY: Cambridge University Press.
- Stock, P. (2007, December 2). TradeMe's top guns. *Sunday Star Times*, p.D5.
- Stockdale, R., & Standing, C. (2004). Benefits and barriers of electronic marketplace participation: An SME perspective. *The Journal of Enterprise Information Management*, 17(4), 301–311.
- Suter, T.A., Kopp, S.W., & Hardesty, D.M. (2006). The effect of consumers' ethical beliefs on copying behaviour. *Journal of Consumer Policy*, 29(2), 190–202.
- Swatman, P. (2000). Internet for SMEs: A new silk road? *International Trade Forum*, 3, 22–24.
- Tarafdar, M., & Zhang, J. (2006). Analysis of critical website characteristics: A cross category study of successful websites. *Journal of Computer Information Systems*, 46(2), 14–24.
- Taylor, M., & Murphy, A. (2004). SMEs and e-business. *Journal of Small Business and Enterprise Development*, 11(3), 280-289.
- Teal, E. J., & Carroll, A.B. (1999). Moral reasoning skills: Are entrepreneurs different? *Journal of Business Ethics*, 19, 229–240.

- Tetenbaum, T. (2002). Shifting paradigms: From Newton to chaos. *Organizational Dynamics*, 26(4), 21-32.
- Thomas, A. (2004). *Research skills for management studies*. London: Routledge.
- Thompson, A. (2006). Sam Morgan – advertising’s latest covert. *Admedia*, 21(4), 12-12.
- Van Beveren, J., & Thomson, H. (2002). The use of electronic commerce by SMEs in Victoria, Australia. *Journal of Small Business Management*, 40(3), 250–253.
- Van Praag, C.M.. (2003). Business survival and success of young small business owners. *Small Business Economics*, 21(1), 1–17.
- Vyakarnam, S., Bailey, A., Myers, A., & Burnett, D. (1997). Towards an understanding of ethical behaviour in small firms. *Journal of Business Ethics*, 16, 1625–1636.
- Wadsworth, D. (2003). E-business and the law. In P. Jackson, L. Harris & P.M. Eckersley (Eds.), *E-business fundamentals* (pp. 152-190). NY: Routledge.
- Welsch, H. P., & Young, E.C. (1982). The information source selection decision: The role of entrepreneurial personality characteristics. *Journal of Small Business Management*, 20(4), 49–57.
- Wheelan, T., & Hunger, J. (2002). *Strategic Management and Business Policy* (8<sup>th</sup> ed.). Upper Saddle River, NJ: Pearson Education.
- Wilkinson, S. (2004). Focus group research. In D. Silverman (Ed.), *Qualitative research: Theory, Method and Practice* (2<sup>nd</sup> ed., pp. 177-199). London: Sage.
- Woodbury, M.C. (2004). What, me, worry? The empowerment of employees. In L.L Brennan & V.E. Johnson (Eds.), *Social, ethical and policy implications of information technology*. (pp. 59-73). Hershey, PA: Information Science.
- Zinkhan, G.M., & Watson, R.T. (1996). Advertising trends: Innovation and the process of creative destruction. *Journal of Business Research*, 37(3), 163–171.
- 
-

## Appendices



**The perceptions of SME owner-managers  
relating to ethics and online business practices.  
*Participant's information sheet***

This information sheet is to be given to each interview participant to ensure that:-

1. All participants understand the purpose of the research.
2. All participants understand the structure that the research will take.
3. All participants are fully aware of the research's ethical considerations.
4. The participants know who this research is for, and who to contact if they have any questions.
5. A consistent approach is applied for each participant.

**What is the research about?**

This research will investigate the perceptions and views of small business owners relating to ethics and online business practices. Of particular interest is their view on privacy, security and intellectual property. The research will be carried out by Iain Cave, a Massey University Masters student who will submit the research as fulfillment for a Masters degree.

**Why is this research important?**

For three main reasons: Firstly, the internet offers new and exciting opportunities for businesses, and the prevalence of internet trading is likely to continue for some years to come. Secondly, the importance of small and medium sized enterprises (SMEs) to a nation's economy is highlighted by the fact that over 95% of businesses in NZ are actually classed SMEs, and thirdly, the way that these businesses actually conduct their business, i.e. their ethical considerations, are important in terms of setting and maintaining moral standards not only in business, but also in society in general.

**Who will be researched?**

Up to 15 SME owner managers will be interviewed and asked a series of questions. Some of these questions will be profile based, i.e. finding out a bit about the participant and their business, whilst some of the questions will be related to ethics and online business, i.e. questions relating to privacy, security and intellectual property. Each interview will be approx. 1 hour.

The researcher will take notes at each interview which will also be taped (with the permission of the participant). A participant consent form will be signed at the start of the interview.

**Is the information confidential?**

Any information submitted as part of this research will be confidential and anonymous. No names of participants or their companies will be used in the research, and they will not be able to be identified by the research itself. This research has been approved by the Massey University Ethics Committee, and has been considered a low risk. Further details on the ethical guidelines for this study can be found online: <http://humanethics.massey.ac.nz/massey/research/ethics/>

**Contact information:**

The following names can be contacted if there any queries about this research:

**Principal Supervisor**

Kate Lewis  
c/- Massey University  
Private Bag 756  
Wellington

Ph: (04) 801 5799 (ext 6369)  
Email: [K.V.Lewis@massey.ac.nz](mailto:K.V.Lewis@massey.ac.nz)

**Supervisor**

Dr Louise Lee  
c/- Massey University  
Private Bag 756  
Wellington

Ph: (04) 801 2794 (ext 6352)  
Email: [L.Lee@massey.ac.nz](mailto:L.Lee@massey.ac.nz)

**Student Researcher**

Iain Cave

Ph: [REDACTED]  
Ph: [REDACTED]  
Email: [REDACTED]

**The perceptions of SME owner-managers  
relating to ethics and online business practices.  
*Participant's consent form***

This consent form is to be signed by each interview participant to ensure that:-

1. All participants understand the purpose of the research, and agree to participate.
2. All participants understand the structure that the research will take.
3. All participants are fully aware of the research's ethical considerations.
4. The participants know who this research is for, and who to contact if they have any questions.

**Please circle the appropriate response**

**Information sheet**

I have read the information sheet and have had the details of the study explained to me. My questions have been answered to my satisfaction and I understand that I may ask further questions at any time.

Agree

Disagree

**Audio taping the interview**

I understand that interview will be audio taped to support the researchers written notes. I agree to the interview being audio taped, and I understand that I may ask at any time for the audio tape to be turned off.

Agree

Disagree

**Participation**

I agree to participate in this study under the conditions set out in the information sheet. I also understand that I can refrain from answering any question that the researcher asks me as part of the interview.

Agree

Disagree

**Signature of  
participant:**

.....

**Date:**     /     / 2007

**Full Name  
(please print)**

.....