

# E-Commerce Business Ethics Case Studies

## Case 1

### ***Introduction***

In this first case you are introduced to E-Kin. You'll explore ethical decision making and current issues in e-commerce as you follow the developments of E-Kin -- a company started by college students. As E-Kin grows and delves into the world of e-commerce, the founders and executives encounter some tough decision making.

To begin working on this case, review the following sections:

- **Company Background**
- **Employee Biographies**
- **Case Scenario**

Next, review the **Case Questions**. Your instructor will assign you to one or more questions. Your instructor will also let you know how to submit your work.

### ***Company Background***

#### **The History of E-Kin – "We did it"**

A few years ago three Place University graduate business students, Slim Pickens, Jennifer Valley, and Ken E. Sellit were sharing laughs at a local restaurant. E-Kin was born after Slim spilled coffee down the front of his cool Bob Marley tee shirt and Jennifer said, "Don't worry 'bout a thing. Every little thing's going to be alright. I'll make a better shirt for you". Once Slim and Ken saw the quality of Jennifer's work, they all sat down together to talk business. E-Kin started in the basement of Slim's house. They specialized in Place University tee shirts. Slim, Jennifer, and Ken sold the tee shirts at school games, and made enough to pay for their tuition.

Sales picked up when E-Kin expanded production into sweatshirts, caps, school flags, etc. Maria Whinner was hired to do customer service and distribution to help handle the load. During that summer E-kin rented retail space close to Place University. Business really took off and E-kin hired a CIO, Cam Crawford, a CFO, Won Dour Trump and a Purchasing Director, Eric Zachary "EZ" Cash. Seeing the handwriting on the wall, E-kin solicited venture capital to move the business to the next level. A few months ago, they hired a consultant, Noah Tahle, from Tahle-Talze Consulting to investigate the possibility of going into E-commerce.

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### *Employee Biographies*

#### **ORIGINAL FOUNDERS**

<b>CEO: Slim Pickens</b> Age: 46	
Awards:	Honorable Mention Ribbon "Cutest Dimple Contest"
Education:	B.A. International School of Music, Oslo Norway. B.S. Stamford University, Stamford CT. MBA Place University
Work History:	Playwright for the production of "I am no stranger than the next guy". U.S. Dept of Transportation, Originator of luminous print for Road signs. Bar and Grille owner, opened the first Road-Kill Café in Butte, Montana. Creative writer, coined the phrase "You know you're a red neck when...".
Notable experience:	Slim Pickens is an entrepreneur, having developed a number of businesses over the years in a variety of industries. He is independently wealthy and works because he enjoys start up operations. He generally moves away from the business once it is up, running and self-sustaining. He enjoys mentoring younger associates, a selfless man seldom taking any credit himself for his contributions to their success. Slim is an experienced performer having worked his way through school as a member of the barbershop quartet, Holy Moses, playing such memorable tunes as, "Please help us part the sea" and "I'd rather be an angel". Slim suggested the formation of the E-Kin operation while at a basement party with his future partners, while in a meditative state and enjoying Bob Marley tunes.

<b>Sales/Marketing Director: Ken E. Sellit</b> Age: 33	
Vices:	Compulsive-perfectionist who does everything to the extreme
Hobbies:	Avid golfer and extreme skier
Awards:	Toastmasters Most Improved Award Zig Zigar Most Improved Award Dale Carnegie Most Valuable Student Kiwans Citizen of the Year Rotary Man of the Year
Education:	Undergraduate degree from the University of Colorado MBA – Place University
Marital Status:	Married with 7 children (11, 9, 7, 5, 3, twins – 18 months)
Work History:	Front Range Auto – Boulder, CO Part/time Car Salesman Republic Software – Boulder, CO Software Salesman Grade A Heifer, mail order steak and liver shop, Omaha, NE, Director of Sales & Marketing. Currently is Sales/Marketing Director for E-Kin: 2 full/time sales people located in Omaha, NE; and Lincoln, NE and 5 part/time sales people located in Ann Arbor, MI; Iowa City, IA; Ames, IA; Austin, TX; and Miami, FL.

<b>Vice President of Production: Jennifer Valley</b> Age: 27	
Hobbies:	Golf, volleyball, bicycling
Education:	B.S. University of Iowa, emphasis in Management Information Systems MBA, Place University
Work History:	Systems Analyst, Mutual of Perkins When E-Kin started Jennifer was in charge of both Production and Information Technology. These tasks became an overwhelming responsibility, so 9 months ago E-Kin hired Cam as the new CIO. Jennifer is currently still responsible for all of the production decisions that are made, but is no longer the key player with regards to Information Technology at E-Kin.

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### EXPANSION TEAM

<b>CFO: Won Dour Trump</b> Age: 34	
Hobbies:	Gambling, prairie dog hunting, sailing with no moon, and body surfing
Awards:	Pine wood derby champion Voted most likely to fail – High School Class of 19xx, Entrepreneur of the Year (Business Magazine)
Education:	BS in Accounting from the University of Nevada Las Vegas MBA from Central Idaho State
Marital Status:	Currently single, divorced while in Cancun
Work History:	Founder of The Blooming Onion Machine Company (CEO/CFO), Boise, ID Sun Beach Resort, Cancun Mexico – Bartender, Returned to the states to pursue career. Current Position: CFO E-Kin

<b>CIO: Cam Crawford</b> Age: 27	
Vices:	None, I'm perfect.
Hobbies:	Baseball, golf, and playing the drums
Awards:	Named Texas Male Athlete of the Year Outstanding Drummer award from the Bammies Rookie of the Year Award from IBM Student of the Month
Marital Status:	Married, wife's name is Cindy.
Education:	BS Creighton University MBA Creighton University
Work History:	IBM Contractor Currently CIO for E-Kin

<b>Customer Service/Distribution Manager: Maria Whinnor</b> Age: 35	
Vices:	Perfectionist - Always trying to please to serve/deliver the product on time Determination - never a quitter (despite my last name) Dependable - you can always count on Maria to stay until the job is done - which explains why I'm still single (but I'm not whining)
Hobbies:	Bike Riding, Volunteer at Humane Society, cleaning up cat hair
Awards:	Community Service awards for Humane Society Service Award for Lack of Whining
Interests:	Cat Lover - own two cats or maybe they own me. Development of a line of custom T-shirts for dogs and cats - old college professor came up with the idea. Customer behavior during full moon phases (Why do calls increase at this time?) Time for "whiners" to come out.
Marital Status:	Single (still trying to balance work and play but I'm not whining)
Education:	BA in Marketing Pennsylvania State University (great mascot) MBA Creighton University
Work History:	Quality Assurance for "Foods are Us" specializing in consumer complaints (10-years experience with dealing with satisfied and dissatisfied customers). Current Position: Customer Service/Distribution Manager for E-Kin

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### EXPANSION TEAM (continued)

<b>Purchasing Director: Eric Zachary "EZ" Cash</b> Age: 45	
Vices:	Meticulous, penny pincher. People call him "Cheap" behind his back. Wears outdated clothes and says no to almost everything, a true pessimist.
Hobbies:	Antique, stamp, and coin collector. Golfs when others pay his way. Computer "Geek".
Awards:	Regional "National Association of Purchasing Managers" Ethical award recipient Nebraska's Cheapest Man of the Year (given by his coworkers)
Education:	Undergraduate degree from Wayne State College MBA – University of Nebraska Omaha
Work History:	Buyer for AT & T Purchasing Manager at Computer World, Inc. Current Position: Purchasing Director for E-Kin, 1 purchasing clerk located in Omaha, NE, 1 full time buyer located in Omaha, NE.

<b>External Consultant: Noah Tahle</b> Age: 35	
Vices:	Mint chocolate-chip ice cream.
Hobbies:	Membership with an exclusive gym that he never uses. International travel.
Marital Status:	Divorced, two kids ages 4 and 6.
Education:	B.A., Dartmouth College, Hanover, NH M.A., Oxford University, Mansfield College, Oxford, England.
Work History:	Worked for large International public accounting firm providing business development and risk management services to clients.  Worked in Strategy and Product Development department of large US retail company with traditional retail outlets and extensive catalog sales.  1998- present: Established partnership with Bob Talze and created business consulting firm (Tahle-Talze Consulting). Emphasis is on small/medium size business development and e-commerce.

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### Case Scenario

#### Security Case

**Dilemmas:** *The major security dilemma will come from our wanting to rush to the market with our Internet site. We feel that we are prepared as a company to expand from direct and storefront sales into Internet sales. A few of us also feel that if we don't move very quickly and decisively, we will lose our "window of opportunity".*

**Ken E. Sellit, Sales/Marketing Director:** We have to do this NOW! My salespeople are losing sales because we cannot support the business from an Internet perspective. This initiative would explode E-kin from a small regional company into the national marketplace. We've paid our technology people to research the security side of our e-commerce situation and we don't have to be 100% sure of it. As long as we know it is secure, there is no way we would ever be 100% sure!

**Cam Crawford, CIO:** The reputation of our company is at stake as we look to roll out the Internet initiative. If we are not completely confident that we have airtight security on our website for purchases, we cannot jeopardize our customers. It will take at least another 4 to 6 months to thoroughly test our procedures and processes.

**Slim Pickens, CEO:** The Internet expansion opportunity we are presented with could have a major impact on our company. If we are to put ourselves in a position to raise venture capital, expand our company and look to go public, we have to not only increase our local market share, but also open up new markets. Internet capabilities will propel us into new geographic regions, increasing volumes and profits. I do not however, want to compromise our corporate standards. We have built this company on quality products and high levels of service. I do not want to see all the years we've spent building a solid reputation dashed by a few errors in security via Internet sales. How much revenue are we talking about?

**Ken E. Sellit, Sales/Marketing Director:** It could double our current revenue from where it is today within just six months, but after that it the possibilities are limitless in terms of volumes and profit!

**Slim Pickens, CEO:** And if we don't roll this web site out today?

**Ken E. Sellit, Sales/Marketing Director:** We will lose all the possible sales and most of our current customers to the competition that has just come out with their own website.

**Cam Crawford, CIO:** We would be making a big mistake by rolling this service out so soon! We're not ready. At this point in time we are not comfortable with the security measures of this site. There are too many hackers out there that could expose our weak defense.

**Slim Pickens, CEO:** What's the worst thing that could happen if we rolled it before we were 100% ready in terms of security?

**Ken E. Sellit, Sales/Marketing Director:** We'd make a financial killing!

**Cam Crawford, CIO:** We'd be the ones getting killed. First and foremost our credit card firewall is so weak that professional hackers would easily be able to hack in and steal that information. You wouldn't want the negative publicity that goes along with that, would you? It could cause people not to trust us long term and our sales could plummet. How are you going to spin that when it happens Ken?

**Ken E. Sellit, Sales/Marketing Director:** You're just pulling this scare tactic so that you won't look bad in case something does happen. Covering your backside isn't the way we intended to run this company! If we want to grow we have to seize this opportunity now! If we're second or third, we may as well stay a brick and mortar, small time shop that nobody knows or cares about.

**Slim Pickens, CEO:** How long until you feel secure about our system CIO?

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**Cam Crawford, CIO:** To be 100%, it could take about 6 months.

**Ken E. Sellit, Sales/Marketing Director** That would destroy any hopes of growing this company to where we want to be. Six months is an eternity in cyberspace. We need to take a leap and try to catch up in the mean time. It's risky, but everything has some risk involved in it. This great opportunity is worth the small amount of risk associated with it.

**Slim Pickens, CEO:** Let me think about what you've said and I'll have my answer to you by tomorrow.

### **Case Questions**

First read the Case Study Scenario and other materials located above. Then, think about the questions below. Your group should not attempt to answer each question. Your instructor has assigned each group one or more questions.

Discuss these issues with your group. Decide on your answers. Find a Web resource that supports your answer(s). Choose a group member to submit your group response (along with the URL of the Web resource).

1. If you were the CEO of E-Kin would you seize the opportunity presented by a new website or hold back until you felt more comfortable with the security of the site? Why?
2. How secure does a company need to be before they open their website to the public?
3. Is there a financial threshold at which it makes sense to take some risk on web site security in this case? How would you determine the threshold? Explain your answer.
4. Whose responsibility is it to ensure that proper website security exists, the consumer or the business? Why?
5. Is Ken E. Sellit acting in an unethical manner in this situation? Why or why not?
6. Should government regulate website security? If not, who should?
7. What is the relationship between security and ethics in e-commerce?