



# Strategy, IT and control @ eBay, 1995-2005

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## The management control system (MCS) as consumer product

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### Abstract

**Purpose** – This paper aims to adapt Simons' (1995b) theory of the role of information technology (IT) in shaping and facilitating the levers of control (i.e. the Levers of Control Applied to Information Technology – LOCaIT) as a framework for investigating how eBay's business strategy was realized through its management control system (MCS) in the first 10 years of the online auction market.

**Design and method** – The qualitative method uses data from public record interviews, teaching cases, books, Securities and Exchange Commission filings and other archival sources to longitudinally trace the realization of eBay's strategy through its MCS and IT.

**Findings** – Realizing its strategy through the eBay MCS necessitated a diagnostic control system unlike any previously seen. This system created a close-knit online community and enabled buyers and sellers to monitor one another's performance and trustworthiness.

**Research limitations and implications** – The LOCaIT theory facilitated understanding the core aspects of the realization of eBay's strategy through its MCS and IT. However, LOCaIT largely omits the strong linkages evident among elements of the MCS, the importance and necessity of building a core IT infrastructure to support eBay's strategy and the central role of building consumer trust in the realization of this strategy.

**Practical and social implications** – eBay's MCS is now, perhaps, the world's most widely imitated model for creating online trust and user interactions (e.g. Yelp, TripAdvisor, Amazon). In addition, eBay's MCS was "sold" as a consumer product that was instrumental in facilitating consumer trust in the online auction market.

**Originality/value** – Contributions include: tracing the creation, growth and evolution of, perhaps, the world's largest and most widely imitated MCS, which redefined the boundaries of accounting systems

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monitoring; and testing the range, usefulness and limitations of Simons' LOCaIT theory as a lens for understanding eBay's use of IT in their MCS.

**Keywords** Ebay, MCS, LOCaIT, Information technology, Business strategy

**Paper type** Research paper

That many business transactions are now conducted using small, lighted, two-dimensional rectangular boxes on poorly understood, abstract systems that exist "in a cloud" would probably strike anyone unfamiliar with the Internet as strange and unsafe. While the uncertainty of the "cloud" is mitigated by online accounting systems and controls, the evolution of these widely implemented and trusted abstract systems is poorly understood. In this paper, we investigate these issues of trust, accounting systems, information technology (IT) and controls by documenting the evolution of the eBay MCS viewed through [Simons' \(1995b\)](#) levers of control framework.

Our work considers a system that predates, and was the prototype for, the system considered by [Jeacle and Carter \(2011\)](#), who examined the development of management control and the use of rankings and calculations at TripAdvisor. [Jeacle and Carter \(2011\)](#) base their work in [Giddens's \(1990, 1991\)](#) analysis of abstract systems and [Miller's \(2001\)](#) exploration of calculative practices. The present paper uses a different theoretical focus and investigates how eBay's business strategy was realized through its development of a unique management control system in the first 10 years of the online auction market. eBay's MCS facilitated the creation of a close-knit online community and enabled buyers and sellers to monitor one another's market performance and trustworthiness. The success of this system is evident in its subsequent imitation by many eBay competitors, including Yelp, the aforementioned TripAdvisor ([Jeacle and Carter, 2011](#)), and Amazon.

The development of eBay's MCS, and its use of IT, affords investigation of the strategies that lay beneath an emergent assemblage of social relations and technology changes that facilitated the creation of abstract, calculative systems. Our investigation explores the following questions: What strategies enabled eBay to pioneer and sustain an unprecedented level of consumer trust in an unfamiliar, abstract e-commerce system (cf. [Giddens, 1990, 1991](#)) and how did eBay's MCS support and enable the success of these strategies? How did IT support eBay's construction of an innovative MCS that was scaled for global reach? This study unpacks the structures and strategies that lay beneath the creation and growth of the eBay MCS and the central role of IT in creating a MCS to support and realize eBay's strategy and mission.

To explore these issues, this study applies and extends [Simons' \(1995b\)](#) theory of the levers of control as applied to information technology (LOCaIT) as a framework for investigating the first 10 years of the eBay strategy and management control system (MCS).

This is the first investigation of which we are aware that is based in a test and extension of Simons' LOC framework regarding IT. Our choice of a theoretical perspective is partially motivated by a desire to explore a largely neglected portion of a theory that has been widely used among professionals, and widely investigated by scholars. Specifically, while more than 2,000 investigations use the core principles of Simons' LOC model, surprisingly, none that we could locate investigate Simons' extension of his theory to the role of IT in supporting and enabling management's realization of its business strategies. This extension of the LOC into IT, which we refer

to as LOCaIT, is a mapping of the levers of control onto two information attributes – information codification and diffusion – and the degree to which each attribute should persist, or not.

eBay's business strategy was realizable only through creating and implementing an MCS and supporting IT infrastructure, which makes the present investigation an appropriate application of Simons' LOCaIT theory. Malsch and Gendron (2013, p. 874) observe, in quoting (Ketokivi and Mantere, 2010, p. 319), that:

[...] it is always the researcher who selects the "best" from among competing explanations, and the de facto criteria for best are defined as pragmatic virtues such as interestingness, usefulness, simplicity, or conservativeness – not truth value or even empirical adequacy.

Our choice of LOCaIT explores its contributions and failings in a well-matched context, with an intention of guiding scholars who are considering theoretical groundings for exploring the linkages among accounting systems, trust, control and IT.

Few studies investigate the eBay MCS (Boyd, 2002; Duh *et al.*, 2002); the present study contributes to the eBay MCS literature by being the first, to our knowledge, to explore the creation and evolution of the eBay MCS and to explore the role of IT in its realization. Many published studies investigate aspects of the online auction market, which eBay created and dominated (see Dellarocas, 2003a and Hasker and Sickles, 2010 for literature reviews). Several books trace the origins and history of eBay (Bunnell and Luecke, 2000; Lewis, 2008; Gilbert, 2012); one includes eBay management cooperation (Cohen, 2002). No investigations, of which we are aware, trace the relation of the eBay MCS to its business strategy or the dynamics and evolving nature of the interplay between eBay's business strategy, its MCS, IT and the evolving online auction market.

We next describe our theoretical lens, i.e. Simons' LOC model and his LOCaIT extension of this model, followed by a brief description of the method of investigation. Following this, we briefly summarize eBay's business history, strategy and the development of its core IT capabilities. Linking LOCaIT with eBay's systems follows, with a concluding section that considers the implications of the results.

## 2. Simons' LOCaIT model

### 2.1 The basic LOC model

The LOC model was first articulated by Simons (1994), although several previous papers (Simons, 1987, 1990, 1991, 1992) articulate model elements. The basic LOC model derived from interviews, conducted over 18 months, with ten newly appointed C-suite managers, i.e. Presidents and chief executive officers (CEOs), regarding their use of controls to direct and realize corporate strategy (Simons, 1994). The four types of control systems, using citations to the Simons (1995b) book, are (emphasis added to highlight system types):

- (1) "A belief system is the explicit set of organizational definitions that senior managers communicate formally and reinforce systematically to provide basic values, purpose and direction for the organization" (Simons, 1995b, p. 34). In short, the belief system articulates an organization's purpose.
- (2) Boundary systems – "[...] delineate the acceptable domain of activity for organizational participants [...] and establish limits [...] to opportunity seeking" (Simons 1995b, p. 39). The two types of boundary systems are: *business* systems, which are guided by, "[...] society's laws, the organization's beliefs systems and

codes of behavior promulgated by industry and professional associations (Gatewood and Carroll, 1991),” (Simons, 1995b, p. 42) and *strategic* systems, which limit the opportunity space (e.g. only invest in projects with a ROI of 15 per cent (Simons, 1995b, p. 47-51).

- (3) “Diagnostic control systems (DCSs) are the formal information systems that managers use to monitor organizational outcomes and correct deviations from preset standards of performance” (Simons, 1995b, p. 59). DCSs are defined by the following features:
  - the ability to measure the outputs of a process;
  - the existence of predetermined standards against which actual results can be compared; and
  - the ability to correct deviations from standards.
- (4) “Interactive control systems (ICS) are formal information systems managers use to involve themselves regularly and personally in the decision activities of subordinates” (Simons, 1995b, p. 95). These systems have the following characteristics:
  - system output is an important and recurring agenda addressed at the highest levels of management;
  - by operating managers at all levels of the organization
  - system output is interpreted and discussed in face-to -face meetings of superiors, subordinates and peers; and
  - the system is a catalyst for the continual challenge of, and debate about, underlying data, assumptions and action plans (Simons, 1995b, p. 97).

The model argues for a productive tension among these control systems that balances control with empowerment. In Chinese philosophy, opposing and interdependent forces, i.e. the yin and yang give rise to and complement one another. Within Simons’ model, belief and IC systems create positive and inspirational forces, i.e. the yang, representing sun, warmth and light, while the remaining two, boundary and DC systems represent yin, i.e. constraints, darkness and cold (Simons, 1995b, p. 7-8).

*2.1.1. LOC model applications.* With over 2,000 citations to the LOC, the present work does not aspire to a review of the LOC literature. Instead, we conducted a literature search of two online databases (EBSCO Business Source Premier, Google Scholar) for published papers that included the phrase “levers of control” or “Simons” in either the title, keywords or abstract. After omitting false positives (e.g. citations to work other than Simons’ LOC model), we identified nine direct applications of the LOC model and nine papers that extend the LOC model. None of the identified papers used or applied the LOC model or framework to IT issues.

### *2.2 Application and extension of the LOCaIT model*

The present work applies and extends the LOCaIT model found in Appendix B of Simons’ (1995b) *Levers of Control* book. In this Appendix, Simons predicts the value, role and limitations of information technology in creating, disseminating and applying the proposed LOC, i.e. LOCaIT model. A Google Scholar search to identify literature that applies the LOCaIT model, using the author and key terms of the LOCaIT model: “levers

of control', Simons, codification, diffusion" resulted in 50 hits that were either false positives, unpublished papers or works in which the discussion of the Simons LOCaIT model is incidental to the works' primary focus. Accordingly, the evidence suggests that the present work is among the first applications of the LOCaIT model in scholarly or professional work. Hence, while Simons' LOC model has been widely adopted and applied, the LOCaIT model remains largely uninvestigated.

The central concern of the LOCaIT model is the capacity of IT to *codify* and *diffuse* the levers of control to extend their power and influence in creating and implementing business strategy. According to Simons, codification and diffusion are fundamental to understanding the communication and control needs of senior managers and to mapping IT innovations to their potential use as MCS enhancements. IT innovations often fail to support and enhance MCS "[...] because the designers of these systems do not understand how senior managers use information for control purposes (p. 184)." Leveraging IT innovations to enhance MCSs requires an understanding how, "[...] different levers of control require different configurations of information systems."

Information codification concerns the structuring of information by categorizing and compressing data into more readily used forms. For example, quantitative financial statement information and descriptive statistics illustrate highly codified information. In contrast, gossip about a new technology is difficult to codify because it is vague, ambiguous and dependent on context. Information diffusion concerns the degree to which information is shared and available internally. Diffusion is high when information is transmitted easily to everyone in the organization and is low when information is available only to a small subgroup within the organization. Continuing the previous example, an income statement is easily diffused while gossip about a new technology is not, as the credibility and relevance of gossip requires face-to-face re-telling. Simons argues that, while codification and diffusion often co-vary, a positively co-varying relation is not universal. For example, information provided to the Board of Directors may be highly codified but evidence low diffusion, while stories about a charismatic founder may evidence high diffusion but low codification.

Table I summarizes the LOCaIT model, links the four control systems to the potential uses of IT to codify and diffuse their influence and provides illustrative uses of IT to achieve greater codification and diffusion. According to the model, IT can help diffuse belief and boundary systems throughout the organization through the use of well-designed technologies such as conferencing, e-mail and reminders. However, IT is likely to be of low value in codifying belief and boundary systems, as the effectiveness of these systems does not depend on codification. DCSs can benefit from IT by both increasing their codification and by diffusing exception reporting to managers, while ICS can benefit from IT by increasing codification and regular, periodic diffusion to managers (c.f. Simons, 1995b, pp. 183-195).

We next describe the research method.

### 3. Case method

Clear selection criteria are important to establish the contribution of research that focuses on critical cases (Eisenhardt and Graebner, 2007; Miles and Huberman, 1994). We chose eBay as the market, and the eBay MCS as the focus of the study because of eBay's unique position as the creator of the world's largest online MCS and its dominant online auction market share. Longitudinally tracing the evolution of the eBay MCS

**Table I.**  
Simons' model of use of  
technology to codify and  
diffuse the levers of  
control (LOCaIT)

System	Application	Desired codification	Desired diffusion	Examples
Belief	Widely diffuse personal message	Low, highly personal	Throughout organization, periodically	Audio-video conferencing, Email
Boundary	Ensure internalization of unambiguous message	Low, unambiguous	Throughout organization, periodically	"Mischarging is illegal" popup on data screen entry
DCS	Increase efficiency and effectiveness of critical performance measures and transmit exception information	High, measure and monitor critical performance variables	Managers for exceptions	Color-coded exception reporting, drill-down matrix, balanced scorecard reports
ICS	Real-time data, including market dynamics; action planning and testing scenarios	Medium, transform raw data into accessible formats	All managers, periodically	Database access to market trends, profitability, models, internal technology projects

**Source:** Simons (1995b) Appendix B



constitutes the qualitative, and “netnographic” (Jeacle and Carter, 2011; Jayanti, 2010; Rokka, 2010) investigation methods. The evolving eBay MCS is both a focus of, and a challenge to, this investigation.

One data challenge in investigating eBay’s strategy and MCS is secretiveness – eBay declines most requests for interviews and data (Lewis, 2008; Bunnell and Luecke, 2000, p. 97) and, declined our requests for interviews with eBay staff and executives regarding its MCS and for access to historical documents related to its evolving user agreements and interface. Fortunately, eBay’s growth and development is well documented in the business press, in books about the company, in online blogs and ecommerce Web sites and in business school cases. We worked to ensure that our secondary data sources included eBay company documents (e.g. Securities and Exchange Commission [SEC] filings) and sources written by both company supporters (Cohen, 2002) and critics (Kenny, 2008; Klink and Klink, 2005).

Data on eBay’s MCS exist in its SEC filings, in occasional eBay MCS-related announcements (interviews and press releases) and in the analysis of the MCS itself at the eBay Web site, including its user forums (eBay, 2008; Vendio Services, 2008) and transaction records. Indirect (secondary) data on the eBay MCS exist in histories written by journalists mostly praising eBay’s business model and success (Cohen, 2002), first-person histories of eBay crime and fraud (Walton, 2006), Web sites that evaluate and critique online auctions and eBay (Kenny, 2008; Klink and Klink, 2005) and business school case studies, most of which were written with the cooperation of high-level eBay executives who were alumni of the business schools whose faculty were granted access (i.e. Harvard and Stanford).

The study’s qualitative method mapped the relevant events in eBay’s MCS history to the LOCaIT model and to the theoretical constructs therein (i.e. codification and diffusion). Our investigation focused on those aspects of eBay’s MCS for which public data exists, e.g. the DCS feedback ratings and fraud strategies. Our investigation excludes those aspects of the eBay MCS that are exclusively internal systems, e.g. the budgetary system, as we are unaware of relevant data sources. We next present a brief history of eBay and a description of its business strategy and core IT capabilities.

#### 4. eBay history, strategy and core IT capabilities

##### 4.1 eBay history and strategy: 1995-2005

eBay’s mission was to “[...] to develop the world’s most efficient and abundant online trading platform in which anyone, anywhere can buy practically anything” (eBay 10K, 2002). eBay’s success in achieving these goals inspired even otherwise skeptical financial analysts. For example, Albert Meyer, in a December 2002 analysts report stated:

[...] if we forget about true bottom-line profitability for a while, eBay is undoubtedly the most astonishing story since the dawn of the Internet.[...] It is impossible not to get animated by the eBay phenomenon. It reads like a modern-day fairy tale (Hawkins and Cohen, 2003).

eBay’s growth was exceptional (Table II). From 1997 to 2005, the number of registered users grew from about 34,000 to 180 million, listings grew from about 44,000 to 1.9 billion and sales grew from about \$95,000 to \$44 billion. eBay’s dominance of the online auction market was sufficient that its main competitors (i.e. YAHOO! Auctions and

Amazon Auctions) eventually closed their auction sites (Yahoo in 2007 and Amazon in 2008) (Cohen, 2002; Skogøy, 2010).

Simons envisions a corporation's MCS as a means for realizing its business strategy. eBay's business strategy, which is explicitly stated in its first SEC filing (S-1 1998), includes the following elements[1]:

- growing the community, brand, product categories and markets served, such that eBay's goal was growth, and that this goal was achieved (Helft, 2001) is evident in the above summary of its first 10 years (Table II). As intended, this growth was of its US community, brand, product categories and markets.
- Fostering eBay community affinity; eBay was and is a unique online community (Boyd, 2002). The creation, growth and evolution of this community is discussed more below in relation to the company's belief and boundary systems .
- Enhancing site features and functionality, and, introducing value-added services. The role of IT and its web-based delivery platform is discussed more in the section below related to IT.
- Leveraging eBay's business model as a zero inventory, zero sales force and net-based business (eBay Form S-1, 1998). From inception, eBay's strategy unprecedented levels of outsourcing. For example, eBay never held inventory, has no supply chain, no managed distribution network and no warehouses (Frei and Rodriguez-Farrar, 2005; eBay, 1998). This unique business model, as a net-centric market facilitator gave it several distinct advantages over competitors (e.g. Amazon and Yahoo) by reducing demands for: cash, logistics for product delivery and for inventory and sales force management. This business model partially enabled eBay's extraordinary early growth, while other businesses, e.g. Amazon, struggled to create those aspects of e-commerce, e.g. inventory and logistics management, that eBay, in its early years, avoided.

#### 4.2 Information technology

Creating its core IT functionality was a critical, and distinctive, aspect of eBay's business strategy. For example, upon learning about eBay, Meg Whitman, the company's first CEO observed that a critical aspect of eBay was that it could not have existed offline. However, the centrality of IT to a business, i.e. that some businesses cannot realize their strategy without IT, is absent from the LOCaIT model. But not all IT systems were central to eBay's business strategy. Rather, the priority and importance of

Year	1997	2000	2002	2005	1997-2005 % change
Registered users	0.34	22.5	61.7	180.6	53,018
Listings	0.0439	264.7	638.3	1876.8	4,275,071
Sales	\$0.0953	\$5,422	\$14,868	\$44,299	46,483,636
Auction listing value (Average)	\$21.68	\$20.48	\$23.29	\$23.60	8.9

**Table II.**  
eBay activity volume and listing value—selected years from 1997 to 2005

**Note:** Registered users, listings and sales in millions  
**Source:** eBay SEC 10K filings and Annual Reports



eBay's IT bifurcated into front- and back-end systems. The stability, reliability, scalability and capacity of the front-end system, by which customers accessed and traded on eBay, was a core system to generate revenue. Hence, creating reliable and stable front-end systems was essential to eBay's success and growth. For example, in the *month* of January 1997 alone, eBay hosted about 200,000 auctions compared with 250,000 auctions for the 1996 *calendar year* (Cohen, 2002). Further, the complexity of eBay Web site traffic was significantly greater than that of other sites where content was merely posted, as the eBay system processed complex transaction data. Because of this demanding transaction load, Omidyar's cobbled-together shareware and hand-written PERL (Practical Extraction and Reporting Language) code frequently crashed the site. This led to eBay, ironically, asking in January 1997 that users avoid the site during peak use hours. Omidyar hired Mike Wilson to re-engineer the site, from scratch, and to repair the existing code sufficiently to keep the site functioning until the new code could be written, tested and implemented. Site stability and scalability remained a critical problem however, even after Wilson implemented the new system in September, 1997. Shortly after Whitman assumed the CEO's job in March 1998, eBay's site crashed for eight hours. Whitman described the crash as, "[...] a wake-up call for me" that motivated a significant investment in expanding system capacity.

System stability remained a critical problem, however, because of the rapid expansion of US users and the aggressive expansion of eBay into non-US markets. eBay's site crashed repeatedly in May and June 1999, culminating in a 22-hour crash on June 10, followed by a tentative, unsteady recovery over the next week (Cohen, 2002). eBay's stock dropped approximately 20 per cent following the June crashes (Yahoo finance). Following these crashes, eBay replaced its Chief of Technology, hired three new high-ranking engineers and increased investment in "product development", i.e. in creating a stable, useful, scalable Web site. Efforts to stabilize the system and expand its capacity increased eBay's "product development" costs from \$4.6 million in 1998 to \$55.9 million in 2000 (eBay 10-K, 2000). These investments paid off in enhanced system reliability, with only minor stability issues (e.g. in January 2001). Although subsequent crashes occurred, they were much less disruptive than the 1999 failures.

While eBay's front-end systems were deemed essential to its success, the resources devoted to its accounting, i.e. back-end systems, lagged those devoted to its front-end system. At inception, Omidyar used QuickBooks as eBay's accounting system (Cohen, 2002). In May 1996, Omidyar began formalizing the eBay accounting system when, nine months after launching his business, he hired a friend to come to his home twice a week to open envelopes containing checks and organize them for deposit. In December 1996, Omidyar hired an office manager, called the "Head of Finance", who was assigned the duties of customer service, billing, filing and human resource. One year later (December 1997), in anticipation of the company's Initial public offering (IPO), eBay hired a chief financial officer, Gary Bengier, who replaced the eBay accounting system with, "[...] a new robust, scalable 'backend' transaction processing architecture (eBay 10-Q September, 1998)".

In short, eBay's core IT functionality was central to its strategy, but this role for IT is not found in the LOCaIT model. Instead, the assumption of LOCaIT is that management: has a strategy and may consider how to use IT to implement it. That IT could be essential to a core business strategy is a possibility that is unconsidered in the model. In addition, while eBay devoted considerable resources to its front-end systems,

investment in its back-end accounting systems seemed to occur only in anticipation of eBay's IPO.

### 5. "Locating" eBay's MCS

Its position as the market leader in creating the world's largest online auction market led eBay to also be the industry leader in establishing an MCS (Cohen, 2002; Hoyt and Baron, 2001, eBay S-1 filing, 1998). The following sections discuss the role of eBay's belief, boundary, DCS and ICS in realizing its business strategy. Each section discusses the role of IT in codifying and diffusing the separable LOC systems, including the following aspects of eBay's MCS:

- Its core belief and boundary system.
- The DCS that provided feedback to users.
- The boundary and DCS related to fraud prevention and detection.
- The ICS.

#### 5.1 Core belief and boundary systems

Central to eBay's belief system was its goal to "pioneer new communities" (eBay 10K, 2007; eBay, 2010a, 2010b, 2011) within which buyers and sellers could trade with confidence in, and personal engagement with, one another (Boyd, 2002). An alternative wording of this belief system is seen in Omidyar's claim that the most important lesson from eBay is, "[...] that 135 million people have learned they can trust a complete stranger (Maney, 2005)". This vision necessitated community creation among participants which would be "[...] sustained by trust and inspired by opportunity" (eBay, 2010a, 2010b, 2011, 2007). A key to creating the community of trust, and a viable MCS, was Omidyar's (1996) "founder's letter" to the eBay community, which was posted to eBay's simple black-text-on-gray-background home page. It stated, "Most people are honest. [...] But some people are dishonest. Or deceptive. [...] But here, those people can't hide. We'll drive them away. Protect others from them".

Similarly, eBay's Code of Business Conduct and Ethics echoes the founder's letter in stating: "We believe people are basically good" (eBay, 2010a, 2010b). If trust comprises three elements: benevolence, integrity and ability (Jeacle and Carter, 2011; Mayer *et al.*, 1995; Schoorman *et al.*, 1996), then these documents surely contain two of these elements: benevolence and integrity. These beliefs are consistent with Omidyar's libertarian, laissez-faire philosophy, within which controls impeded the full realization of community self-governance (Cohen, 2002). Pragmatically, this philosophy meant that Omidyar and eBay sought minimalist controls over users and transactions meaning that, initially, there was no eBay boundary system beyond the threat that dishonest people will be driven away. For example, before February 1996, Omidyar mediated conflicts among users by sending them a personal e-mail stating, "You guys work it out" (Cohen, 2002). This level of personal interaction and informality helped build trust in a nascent system of a few hundred dedicated, "techie" users, who willingly tolerated recurring system outages and an unfriendly and unattractive user interface. However, such a system lacked a means of combating the large-scale frauds that would come with a much larger, heterogeneous user base.

eBay's early philosophy, i.e. to "not be corporate", to avoid appearing to invoke top-down management decisions for the community and to instead actively engage its

community in its self-creation may partially explain eBay's creation of a mythical founder's legend: that eBay was founded to allow Omidyar's then girlfriend (later wife) to trade Pez candy dispensers (Cohen, 2002). The importance and success of this legend is, well, legendary (Maney, 2005); even Omidyar acknowledges its critical role in promoting the company (Lacy, 2010). According to eBay's first publicist (Mary Lou Song), journalists were uninterested in the story of a tireless French-Iranian immigrant to the USA, who was hell-bent on creating a company that grew rapidly to make him and his co-founders wealthy. Far more attractive was a cute story about a guy starting an on-line hobby to please his girlfriend. The success of this legend is evident in its propagation, including in many journalistic accounts of eBay, and in two business school cases about eBay (Hoyt and Baron, 2001; Burnett and Schill, 1999).

Although Omidyar's then girlfriend did collect Pez dispensers (Lacy, 2010), the creation and propagation of this canard is an example of an "ironical process" (cf. Wegner, 2009) in relation to eBay's belief system. That is, a company whose success, and MCS, was founded on trusting "[...] in the kindness of strangers" and the eBay MCS and management (Lewis, 2008, p. 76), deliberately falsifying a founder's legend to publicize their community that was purportedly "founded on trust". Cynicism about this irony, called by Boyd (2002), eBay's "community/commerce tension", was a recurring theme on eBay's chat boards (e.g. comment "If eBay's a community, where's the voting booth?"). Such "ironical process" are not present in the LOC or LOCaIT models which focus instead of management's objectives for its MCS.

To summarize, eBay's espoused belief system reflected a "communitarian" ideal (Baron, 2002; Hoyt and Baron, 2001), within which self-interest was integrated with community building, specifically including tenants that online buyers and sellers are basically good and that one can create an engaged, active online community with a structure and system that appeals to "[...] the better angels of our nature (Lincoln, 1861)". Rules are implemented only if demanded by behavior that must be curtailed. While growing the company, and achieving profitability, was eBay's dominant strategy and goal (eBay S-1, 1998), masking or disguising this goal required spinning a mythical founder's legend to "humanize" the company. Hence, eBay's belief system included a core irony and tension, i.e. while eBay's dominant goal was growth, this goal had to be masked in a "user-friendly" form within which eBay's actions were community driven.

Consistent with Omidyar's libertarian ideals, eBay's boundary system was initially minimalist and vague, with an exhortation to, "Above all, conduct yourself (sic) in a professional manner. Deal with others the way you would have them deal with you". Omidyar's initial boundary system, i.e. of saying "you guys work it out", when problems arose between users gave rise to a vigilante system in which six users, called "The Posse" monitored listings and chat boards and quickly damaged the reputations, using eBay's feedback system, of any users they deemed to have acted against the community's best interests (Hoyt and Baron, 2001; Baron, 2002). The first evidence of an eBay user agreement, indicating greater formalization of the boundary system, is dated March 1998 (Hoyt and Baron, 2001). While the primary purpose of the (and perhaps all) user agreement(s) would seem to be to release eBay from multiple legal duties, obligations of users under this agreement are to complete transactions (whether as bidder or seller), to not manipulate prices (e.g. through "shill" bidding) and to not interfere with eBay's system integrity, including its feedback system.

Growth and expansion brought high-publicity fraud cases which required more rules and formalization to the boundary system. eBay formed its Safe Harbor group, i.e. in-house staff charged with investigating violations of community standards, in February 1998 (Hill and Farkas, 2000). In 1999, following the successful IPO, eBay expanded the Safe Harbor group, which began more aggressively pursuing fraud cases and more actively monitoring for violations of eBay policy on allowable items for sale. Several product bans occurred in 1999, including gun sales (February), body parts and drugs (August) and alcohol and cigarettes (September). Prohibitions came to include threatening others; the aforementioned shill bidding; and buying, selling or trading feedback (i.e. exchanging positive feedback ratings for money or reciprocal actions with no goods being sold) (eBay 10K filings, 1999/2007; Bunnell and Luecke, 2000; Cohen, 2002; Guadamuz González, 2003). However, evidence from knowledgeable users, including statements on the eBay user forums, indicated minimal enforcement of these rules, except for the most egregious violators (Brunker, 2002; Walton, 2006). Hence, over the period of this case, the eBay boundary system could perhaps best be characterized as expanding the number of rules with lax, though increasing, levels of enforcement.

### *5.2 Core belief and boundary system – diffusion and codification*

*5.2.1 Diffusion* That eBay sought to create a new role for users, in which the experience of the company was directly a function of users' treatment of one another, created a special need to diffuse the belief and boundary systems throughout the eBay community. These exceptional levels of diffusion to users, accomplished through eBay's use of its Web site and e-mail systems, are consistent with LOCaIT's predictions that the belief and boundary systems should be diffused throughout the organization. Perhaps the single most innovative aspect of the eBay's diffusion of its systems, including its belief and boundary systems, was the intended recipient of these communications. LOCaIT assumes that the desired MCS diffusion will be internal to the organization (Simons, 1995b). In contrast, eBay, because of its unique business model, sought and succeeded in diffusing its belief and boundary systems to all users, as users' experience of the company was contingent upon their experience of one another. Hence, eBay's diffusion was consistent with LOCaIT "throughout the organization" but this also included diffusion to those outside of the organization.

*5.2.2 Codification.* The extent of codification of the eBay belief system was consistent with LOCaIT, largely personalized through narratives and the persona of its founder. The LOCaIT model suggests that boundary systems should seek a low level of codification but be unambiguous. In contrast, the codification of the eBay boundary system was relatively ambiguous. That is, while unambiguous rules existed, the enforcement of these rules varied both with respect to the nature of the transgression (e.g. selling illegal drugs vs. shill bidding) and when the transgression occurred, with increasing enforcement of some rules over the studied period. Hence, the eBay boundary system, in contrast to the LOCaIT model, seemed to exist as a set of unambiguous rules with ambiguous and shifting levels of enforcement.

### *5.3 Boundary and DCS – disclaiming, preventing and detecting fraud*

Wedded to eBay's remarkable success was a parallel growth in online fraud and deception that resulted from the unregulated nature of "hyper-real" online activity and ecommerce (Baker, 2002). Despite a small volume of online auction transactions, online

auctions accounted for 87 per cent of the online complaints to the National Consumers League in 1999 (National Consumers League, 2000). The Internet Crime Complaint Center (ICCC), a partnership between the USA FBI and the White Collar Crime Center, began tracking online crime in 2001. Between the ICCC's 2004 inception and 2005, online auction fraud complaints grew by over 500 per cent, from 21,576 to 133,380. Despite eBay's persistent claims that online auction fraud was rare (Cohen, 2002; Frei and Rodriguez-Farrar, 2005; Walton, 2006; Warner, 2003), during the period of this case, online auction fraud was the most frequent complaint filed with the ICCC and eBay dominated the online auction market.

Most research assumes that the eBay market, and its MCS, was static (Baron, 2002; Duh *et al.*, 2002; Dellarocas, 2003a, 2005; Gu, 2007; Hoyt and Baron, 2001; Steiglitiz, 2007). In fact, the eBay MCS evolved in relation to emerging seller and buyer abuses and ICS feedback from users (Cohen, 2002; Bunnell and Luecke, 2000). As such, the design of the eBay MCS is characteristic of managerial efforts to structure "unstructured" problems (Mintzberg *et al.*, 1976). Consistent with Mouritsen's (1999) description of achieving management control through the "virtual organization", a balance, and tension, of improvised action was evident in the creation and evolution of eBay's DCS in relation to preventing and detecting fraud. Despite Omidyar visionary claim that "[...] here, those people can't hide. We'll drive them away [...]", eBay, in its earliest years, had few resources for addressing undesirable members of the eBay community (Walton, 2006). One pillar of eBay's boundary and DCS was a disclaimer of responsibility for fraud, i.e. that "eBay is only a venue", and therefore not liable for fraud on the site. eBay encouraged "[...] victims of fraud to report the incident to local law enforcement" (Hill and Farkas, 2000, p. 12) and in its users' agreement (quoted in Bunnell and Luecke, 2000, p. 54) and 10K (Wired, 1998; Warner, 2003), disclaimed responsibility. This strategy appeared to initiate with eBay's October 1997 hiring of an attorney (Cohen, 2002). The assertion of a lack of responsibility contradicted the traditional roles and responsibilities of auctioneers (Albert, 2002; Baker, 2002) and outsourced, i.e. disclaimed, a formerly important auctioneer responsibility. Importantly, USA courts consistently upheld eBay's disclaimer of responsibility for the sale of fraudulent products (Guadamuz González, 2003).

The first well-publicized eBay fraud emerged in December 1998 when Sonny Stemple "sold" \$30,000 of undelivered merchandise (Wired, 1998; Cohen, 2002). The scale and scope of Stemple's fraud and perhaps, more importantly, its publicity, made clear that Omidyar's e-mails to disputants stating "you guys work it out" was an embarrassingly inadequate response if eBay was to continue its meteoric growth. Following the accelerating negative publicity from the Stemple and other eBay frauds, a further improvisation occurred in January 1999 – eBay expanded and perhaps, more importantly, publicized its earlier mentioned "Safe Harbor" group, which was then charged with investigating fraud, and terminating (delisting) the most egregious offenders of its policies (Hill and Farkas, 2000; eBay 10K 1999/2007; Shaughnessy, 2004). Simultaneous improvisations, designed to address expanding fraud on eBay, included adding a service for users to identify themselves (voluntarily), a minimalist insurance program (maximum \$200 loss coverage with a \$25 deductible) for proven cases of fraud and third-party escrow (Escrow.com, 2013) services (Hill and Farkas, 2000; eBay 10K, 1999/2007). Hence, eBay's fraud-related improvisations, and its boundary and DCS related to fraud, were a three-pronged strategy:



- (1) Officially disclaim responsibility for fraud.
- (2) Refute publicly available evidence that fraud on eBay was widespread and increasing.
- (3) Improve fraud controls.

*5.3.1 Diffusion and codification.* The diffusion and codification of eBay's boundary system related to fraud is consistent with the previous discussion of its core boundary system. However, the diffusion and codification of its DCS related to fraud contrasts with that predicted by LOCaIT. Specifically, LOCaIT presents a high level of codification in DCSs and diffusion to managers to highlight and report exceptions. However, the eBay DCS related to fraud was an odd mix of a disclaimer of responsibility by eBay, threats to users and an evolving boundary system where the enforcement criteria remained a secret known only to eBay. Hence, eBay's DCS related to fraud would seem to have assumed a complexity and characteristics that are inconsistent with LOCaIT's relatively simple predictions.

#### *5.4 DCS – monitoring and feedback*

eBay's outsourcing strategy extended to the creation of perhaps the world's most imitated DCS. Monitoring in a MCS is sufficiently important that the Committee of Sponsoring Organizations (COSO, 2009) recently issued a pronouncement specifically intended to help organizations improve MCS system monitoring. Omidyar's great DCS insight, first disseminated in his founder's letter (Figure 1), created the possibility for a DCS scale and scope that exceeded all others (Dellarocas, 2003a, 2003b) and is now widely imitated in online markets (Dellarocas, 2003a; Jeacle and Carter, 2011). eBay's feedback system effectively outsourced the monitoring of suppliers and customers to [...] suppliers and customers (eBay, 1998). It includes the three essential elements of a DCS:

- (1) Measurement of outputs.
- (2) Standards for evaluating outputs.
- (3) The ability to correct deviations from standards (Simons, 1995a, 1995b).

While eBay's DCS evolved considerably over its life, its initial and still primary, performance variable, i.e. standard for evaluating buyers and sellers, was a simple rating called the "Feedback score" (initially, the sum of a user's positive minus negative feedback). In its initial and simplest form, any account holder could leave eBay feedback for anyone else, regardless of whether they had transacted business. Hence, early eBay deception strategies included creating multiple accounts and leaving glowingly positive feedback among the accounts and in one's network of account-holding friends (Walton, 2006; Brown and Morgan, 2006; Steiglitz, 2007).

In February 1998, eBay's Trust and Safety Department first used the feedback DCS to monitor and discipline the most egregious violating traders (Cohen, 2002), but the criteria by which users were identified for punishment was never disclosed (cf. Brivot and Gendron, 2011). Beginning in March 2000, eBay restricted feedback to actual transactions, which led to the creation of a new "market for deception" on eBay, i.e. the proliferation of trivial transactions (usually with a sales price of \$0.01) executed solely to generate positive feedback for participating buyers and sellers (Brown and Morgan,



## 1997 eBay Homepage with Founder's Letter

Strategy, IT, and  
control @ eBay,  
1995-2005

The screenshot shows the eBay homepage from 1997. At the top, there is a navigation bar with the text "Auction Web" and a menu of links: [Menu], [Listings], [Buyers], [Sellers], [Search], [Contact/Help], and [Site Map]. Below the navigation bar, there are two columns of text. The left column contains a welcome message and a description of the marketplace. The right column contains a welcome message to the community, a link to listings, information about a personal shopper, and a link to a wanted page. Below this, there is a section titled "From the founder:" which contains a letter from Pierre Omidyar. The letter discusses the launch of eBay's AuctionWeb on Labor Day, 1995, and the founder's vision of an open market that encourages honest dealings. The letter also mentions the founder's experience with complaints and the importance of an open forum. At the bottom of the page, there is a footer with the text "eBay Internet" and "Copyright © 1995-1997 eBay Inc." and a second set of navigation links: [Menu], [Listings], [Buyers], [Sellers], [Search], [Contact/Help], and [Site Map].

**Auction Web**  
[Menu] [Listings] [Buyers] [Sellers] [Search] [Contact/Help] [Site Map]

Welcome to today's online marketplace...

...the market that brings buyers and sellers together in an honest and open environment...

Welcome to eBay's AuctionWeb.

**From the founder:**  
February 26, 1996

I launched eBay's AuctionWeb on Labor Day, 1995. Since then, this site has become more popular than I ever expected, and I began to realize that this was indeed a **grand experiment** in Internet commerce.

By creating an open market that encourages **honest** dealings, I hope to make it easier to conduct business with strangers over the net.

Most people are honest. And they mean well. Some people go out of their way to make things right. I've heard great stories about the honesty of people here. But some people are dishonest. Or deceptive. This is true here, in the newsgroups, in the classifieds, and right next door. It's a fact of life.

But here, those people **can't hide**. We'll drive them away. Protect others from them. This grand hope depends on your **active** participation. Become a registered user. Use our feedback forum. Give praise where it is due; make complaints where appropriate.

For the past six months, I've been developing this system single-handedly, in my spare time. Along the way, I've dealt with complaints among participants. But those complaints have amounted to only a handful. We've had close to **10,000** auctions since opening. And only a few dozen complaints.

Now, we have an **open forum**. Use it. Make your complaints in the open. Better yet, give your praise in the open. Let everyone know what a joy it was to deal with someone.

Above all, conduct yourself in a professional manner. Deal with others the way you would have them deal with you. Remember that you are usually dealing with individuals, just like yourself. Subject to making mistakes. Well-meaning, but wrong on occasion. That's just human. We can live with that. We can deal with that. We can still **make deals** with that.

Thanks for participating. Good luck, and good business!

Regards,  
Pierre

[Menu] [Listings] [Buyers] [Sellers] [Search] [Contact/Help] [Site Map]

**eBay Internet**  
Copyright © 1995-1997 eBay Inc.

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Source: eBay (2004)

Figure 1.

2006). One implication of this “market for deception” is that users perceived eBay feedback scores as sufficiently valuable that a secondary market developed for falsely inflating them.

### 5.5 DCS – monitoring and feedback – codification and diffusion

5.5.1 Diffusion. Unlike its predecessors, eBay's feedback DCS was not primarily intended as a means for *the company* to monitor its employees, suppliers or customers

(cf. Caglio and Ditillo, 2008; Malmi and Brown, 2008). Instead, the eBay MCS enabled *customers* to monitor *suppliers* and *suppliers* to monitor *customers*. Hence, although the eBay MCS included the standard expected elements of a DCS (i.e. measures of outputs, standards and means to correct deviations) it was, Zen-like, a DCS without a “controller”, a system designed primarily for use by users and not its owner and creator (cf. Brivot and Gendron, 2011). In this sense, the eBay DCS blurred the boundaries between internal and external reporting, by creating a neo-external reporting system focused on the self-reporting of customer and supplier performance. It recast the traditional DCS roles to expand beyond the organization to allow external parties to monitor one another. Hence, the eBay MCS was an innovative blending of *market* coordination, as buyers and sellers, using the system, chose one another for market transactions, with *clan* coordination, as the system heavily relied on users trusting one another and the system (Mouritsen and Thrane, 2006; cf. Giddens, 1991) and adopting, “[...] common values and beliefs” (Hakansson and Lind, 2004, p. 55; Ouchi, 1980).

*5.5.2 Codification.* eBay’s use of “symbolic tokens” illustrates one process of codifying its feedback. “Symbolic tokens” are “[...] media of exchange which have standard value, and thus are interchangeable across a plurality of contexts” (Giddens, 1991, p. 18; Boyd, 2002; Jeacle and Carter, 2011). eBay’s feedback ratings are a standardized metric for evaluating seller performance (and buyer performance until February 2008); eBay feedback ratings range from a minimum of - 2, for a nonperforming seller whom eBay will delist to a 2012 maximum observed value of over 2.2 million (October 4, 2012; eBay, 2012). In 1999, eBay added an additional symbolic token – colored “stars”, which were described as follows:

Users who have developed positive reputations over time will have a star symbol displayed next to their user name, which is color coded to indicate the amount of positive feedback as compared to negative feedback received by the user (eBay 10K, 1999/2007).

Hence, eBay stars provided an intuitive, visual indicator of buyer and seller performance and means of disseminating and codifying the eBay feedback system to the masses.

To summarize, the eBay feedback DCS system was diffused beyond the internal organizational boundary limits envisioned in LOCaIT. It was, instead, a process for creating an online market, rather than a system to enable a company to monitor its customers and suppliers. Although eBay did, in fact, monitor customers and suppliers, and take disciplinary action under certain (vaguely specified) conditions, the primary purpose of the eBay feedback DCS was to diffuse the DCS to enable customers and suppliers to monitor one another. The eBay DCS did follow the LOCaIT model predictions of a highly codified feedback system, which used technology, including using the emerging capability of Internet graphics, to increase the level of codification of its feedback DCS.

### *5.6 Interactive control systems*

Improvisation was also evident in the development of eBay’s ICS which created a mechanism for user comments to guide site features and development (Frei and Rodriguez-Farrar, 2005; Bunnell and Luecke, 2000; Farkas and Hill, 2001). At inception, the eBay Web site was unattractive, difficult to navigate and unreliable (Hoyt and Baron, 2001); early users expected and accepted downtime (Cohen, 2002) and used it to correspond with one another, at first, by e-mail, and later, on eBay chat rooms, which

often remained accessible even when the transaction processing system failed. In the first six months of the company, Omidyar improvised changes to the system in response to user e-mail comments, in the evening after finishing his day job. User e-mail evolved into chat rooms and discussion boards (in February 1996), which, with development and expansion, were monitored by eBay community relations staff (Cohen, 2002), thereby meeting the criteria of a technology-enabled ICS dialog (Simons, 1995a, 1995b) between eBay managers and users. For example, when Mary Lou Song, eBay's public relations department, posted proposed colors for a new system of feedback stars, based on performance, on an eBay bulletin board, the response was immediate and negative, including, "Do you know how this place works?" (Frei and Rodriguez-Farrar, 2005; Cohen, 2002).

The eBay ICS also included, as predicted by the LOC model, a more traditional face-to-face interaction process among high-level eBay management. This process originated with the hiring of Whitman (1998):

[...] to prepare her management team to be able to make decisions in 'Internet time', Whitman mandated frequent and lengthy (two to four hour) team meetings right from the start (Hill and Farkas, 2000, p. 6).

In addition, Meg Whitman repeatedly sought to create innovative measures to quantify and summarize relevant activity on eBay.

*5.6.1. Diffusion and codification.* The diffusion of the eBay ICS, in the form of its chat rooms and bulletin boards, mirrored the extended reach of its feedback DCS, i.e. a focus on bringing customers and suppliers into the process of changing some of the operating processes and directions of the company. Consistent with LOCaIT, the level of modification of the ICS was moderate and evolving to respond to user needs. For example, with an increasing user and available product base, eBay expanded the number of product categories, partially based on user suggestions (Cohen, 2002; Lewis, 2008). Similarly, it revised the structure and content of its bulletin boards and help facilities, based on user feedback.

## 6. Summary, limitations and conclusions

### 6.1 Case summary

eBay's emergence as the dominant online auction facilitator affords the opportunity to investigate the growth of a market facilitator's MCS in a largely unregulated, online market, with a large, global clientele of small business and individual traders. One organization, i.e. eBay, almost single-handedly created this market, and invented a now widely copied MCS for it, which redefined the nature and limits of MCS monitoring. While journalistic and academic accounts discuss aspects of how eBay "changed the world", existing accounts do not describe the process of creating an MCS to support eBay's business strategy. This is the purpose of the present paper. This case adapts the Simons' LOCaIT framework to investigate the role of the eBay MCS in its successful "changing of the world".

At inception, the eBay MCS was unique and "capitalized" on emerging technologies, changing social relations and a reconceptualization of the meaning and extent of, and need for, privacy. Over time, eBay evolved into an odd electronic "flea market" within which professional and amateur sellers offered an unprecedented variety of goods and buyers and sellers never met but could exchange unlimited numbers of costless text

messages with one another. The eBay MCS provided buyers and sellers with information about the trustworthiness and reliability of buyers and sellers but beyond the policing of the most egregious offenders of its rules, conducted the market consistent with its founder's laissez faire philosophy. Within Ouchi's (1980) characterization of three means of achieving organizational control, i.e. markets, bureaucracies and clans, eBay, initially was a clever combination of market and clan control. While the extent of eBay's rules, monitoring and enforcement substantially increased over the period of this case, the data imply that bureaucratic controls were seemingly less important to the eBay MCS than its market and clan controls. The major exception to eBay's limited use of bureaucratic control was its aggressive actions against a small number of high-profile, highly visible frauds (Walton, 2006).

### 6.2 Implications

Evidence suggests that the eBay MCS was rooted in its core strategies but largely advanced by improvisation (Weick, 1998), instead of careful and deliberate strategic planning (Bunnell and Luecke, 2000; Cohen, 2002). Accordingly, we chose a theory (LOCaIT) and methods (qualitative) that were adapted to an eclectic, opportunistic strategy and dataset.

We apply Simons' (1995a, 1995b) LOC as organizing constructs for considering the structure and evolution of the eBay control system. While these constructs helped conceptualize eBay's MCS innovations, they required reconceptualization to capture the unprecedented nature of the eBay MCS. Specifically, Simons's model assumes that management seeks to structure controls around a stable, small number of vendors and customers. In contrast, eBay's business created a global consumer market of perhaps the largest cohort of vendors and customers ever assembled. Hence, the construct of a "manager" in Simons' model has a different meaning in a MCS with over 100 million users (eBay 10K, 2011) most of whom give and receive performance feedback about one another, and many of whom have multiple user identities, meaning that even identifying the number of actual system users (managers?) is problematic (Steiner, 2009). Hence, the nature of eBay's control, in some cases, tugs at the limits, and demands extension of the constructs of the Simons' taxonomy.

The LOC and LOCaIT models fail to capture the irony of some aspects of the relations between eBay's strategy and its belief system, for example, "don't be corporate but grow, grow, grow!"). Perhaps this failure is because LOC and LOCaIT were based on Simons' interviews with C-suite executives who may be unaware of, or unwilling to disclose, the ironies (i.e. inherent contradictions) of their business strategies. In addition, the LOCaIT model serves as a useful guide in many predicting aspects of the eBay MCS. For example, the model accurately depicts the levels of codification in the eBay MCS regarding its belief, DCS and ICS, and a high level of diffusion of the belief system. LOCaIT is less successful in predicting eBay's boundary system, which was an eclectic, ambiguous mix of threats, disclaimers and enforcement, about which eBay provided little insight to those who were potentially subject to it. In addition, LOCaIT does not anticipate that eBay's business strategy was impossible without strong IT capabilities, and the extent of necessary diffusion of its systems to all eBay users. An alternative theoretical frame for exploring the intersection of MCS and IT, successfully adopted by Jeacle and Carter (2011) is based in Giddens' (1990, 1991) analysis of abstract systems and Miller's (2001) exploration of calculative practices.

The eBay MCS included several ironical processes, i.e. when the espoused eBay MCS was at variance with the stated eBay MCS boundary rules. For example, eBay's belief and boundary system espoused community honesty and a commitment to discipline deceptive traders. However, eBay's founding included and promoted a falsified myth, failed to act against "mundane" deceptive traders and seemingly increased and implemented controls primarily in response to bad publicity (Walton, 2006). Such ironical processes are also found in other research investigating control systems in large organizations. For example, Alvesson and Kärreman, (2004) investigated management controls at a large management consulting firm. Investigation revealed widespread under-reporting of time worked on engagements (called "ghosting"), meaning that the actual hours worked on an engagement were never known or formally recorded in the system. Hence, while the control system of the consulting firm purported to accurately record engagement hours worked, all who worked for the firm recognized these hours as under-reported, i.e. a necessary fiction. We find an analogous complex strategy, or "fiction", in the eBay MCS. Hence, certain MCSs, such as eBay's, may necessarily imbed elements of irony and hypocrisy to achieve and balance conflicting control objectives (cf. Mundy, 2010).

### 6.3 Conclusions

In 2005, eBay for the first time, exceeded \$1 billion in revenue for each of its quarterly reporting periods (eBay 10K, 1999/2007). As of December 2005, eBay had over 11,000 employees only about one-half of whom were in the USA, and, anticipated substantial additional growth both in the USA and overseas, through additional acquisitions and expansion and by aggressively expanding its presence as a facilitator in the business-to-business ecommerce market. Because of strong loyalty in its user base, eBay's substantial fee increases to sellers in 2003 and 2004 increased, rather than decreased, its reported revenue. Hence, the state of eBay's business, as of 2005, remained promising, despite a net stock price decline in calendar year 2005.

The online auction markets make it possible for Americans to collect rare, antique Russian nesting dolls, for Africans to buy newly released Italian designer clothing and for Brazilians to savor top-grade Iranian caviar. eBay's MCS, created to support this market, was a clever mix of public relations, controls, disclaimers and denials. The present analysis suggests that the eBay MCS was based on a core business strategy that sought (and achieved) extraordinary growth, required strong IT capabilities and fueled considerable improvisation to achieve the seemingly contradictory goals of high growth and an aversion to restricting user behavior. That the result was a success is evident in the extent to which eBay's MCS is now the standard online market DCS (e.g. Yelp, TripAdvisor and Amazon).

### Note

1. The original list included six strategies. We combine similar elements to collapse the list to four strategies.

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