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Fostering Ethical Marketing Decisions*

Gene R. Laczniak
Patrick E. Murphy

ABSTRACT: This paper begins by examining several potentially unethical recent marketing practices. Since most marketing managers face ethical dilemmas during their careers, it is essential to study the moral consequences of these decisions. A typology of ways that managers might confront ethical issues is proposed. The significant organizational, personal and societal costs emanting from unethical behavior are also discussed. Both relatively simple frameworks and more comprehensive models for evaluating ethical decisions in marketing are summarized. Finally, the fact that organizational commitment to fostering ethical marketing decisions can be accomplished by top management leadership, codes of ethics, ethics seminars/programs and ethical audits is examined.

Most marketing decisions have ethical ramifications whether business executives realize it or not. When the actions taken are "proper," the ethical dimensions go unnoticed and attention centers upon the economic efficiencies and managerial astuteness of the desicions. But such is not always the case. When a marketing decision is ethically troublesome, its highly visible outcomes can be a public embarassment or sometimes worse. Consider the following examples which are drawn from recent newspaper reports:

1. Between 1982 and 1986, Norelco knowingly sold a water purification system whose filtration mechanisms where contaminated with methylene chloride — a probable carcinogen. Basically, Norelco's so-called *Clean Water Machine* contained a carbonated filtration system which was sealed with a methylene chloride based glue which then seeped into the water. Norelco engineers were quickly aware of the problem but the judgement of the company was that the risk to individual consumers was slight because the leakage was likely minimal. At least, this was Norelco's public posture after questions about the product began to emerge. One wonders whether the company hoped to continue sales while they redesigned the filter, thereby eliminating the negative publicity stemming from the public disclosure of this (ironically) toxic clean water machine.[1]
2. Because of the glut of new products and limited amounts of shelf space, large supermarket chains are demanding upfront payments called "slotting fees" in order to stock new products. Supermarket chains justify this practice primarily because they have very narrow profit margins and because unsuccessful new products are costly to remove from the shelves. Some firms claim that *such practices discriminate* against small manufacturers who are without the ability to pay the large amounts that are demanded. For example,

Gene R. Laczniak is Professor of Business at Marquette University. He has written extensively in the field of marketing and business ethics. He is coeditor of Marketing Ethics: Guidelines for Managers, *Lexington Books, 1985 and coauthor of* The Higher Road: A Path to Ethical Marketing Decisions, *Allyn & Bacon, 1992 (both with P. E. Murphy). Professor Laczniak's research interests focus on the social and ethical influence of marketing activities on society as well as marketing strategy.*

Patrick E. Murphy is Professor of Marketing in the College of Business Administration at the University of Notre Dame. His articles on business and marketing ethics have appeared in several periodicals. He currently serves as editor of Journal of Public Policy & Marketing *and is coeditor of* Marketing and Advertising Regulation: The Federal Trade Commission in the 1990s, *Notre Dame Press, 1990 (with W. L. Wilkie). His research interests focus on the ethical and public policy issues facing business.*

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Safeway asked $25,000 from a small Montana specialty foods producer to have its pizzas placed in freezer cases in its California stores. Other manufacturers complain of the practice because many of the slotting fees are privately negotiated and as they are often made in cash, they become especially subject to abuse.[2]

3. Because tobacco manufacturers have been heavily criticized in the U.S. and other developed countries about safety of cigarette smoking, they have looked to the third world as the major source of their growth. Developing countries now consume about one-third of the $200 billion worth of cigarettes sold in the world. Moreover, many of these developing countries have been targeted as the major sources of tobacco promotion in the immediate future. Often, tobacco companies develop relationships in conjunction with the local government which collects a substantial proportion of the product price in the form of sales taxes. To make matters worse, several tobacco companies admit that many of the brands sold to developing countries contain more tar and nicotine than in cigarette brands sold in developed countries.[3]
4. Manufacturers sometimes "dump" products which are declared unsafe for one reason or another in their initially targeted market and move those products to other areas of the world. In these latter countries regulators have not made the "unsafe" designation or existing regulations haven't caught up to safety standards applicable in the original market. One of the most blatant recent cases of abuse had to do with the output of some Bavarian dairies which had been ordered to destroy their product. The milk was radioactively contaminated by the Cheronobyl nuclear disaster because the German cows had grazed on contaminated grass. In any event, two train loads of milk were intercepted as they were about to be shipped to Egypt.[4]
5. Travel agents have been increasingly accused of not keeping the best interest of their clients in mind. In some cases, they have attempted to capture for their own accounts frequent flyer points which have not been credited to existing customer files. In other cases, the travel agents participated in sweepstakes sponsored by airline or rental car companies. These sweepstakes allow for an improved chance of "winning the game" based on the amount of business directed toward a particular airline or rental car company. The net result is that without the customers knowing it, clients might be steered into higher cost travel options as this is in the best interest of the travel agent.[5]
6. As Americans became increasingly health conscious, advertising stressed the health and nutritionally related benefits of various food products. This has led to numerous cases of misleading or exaggerated claims. For example, ads running in several women's magazines are urging women to drink more milk in order to prevent osteoporosis (the development of brittle bones that can fracture easily). What the ads do *not* say is that many dairy products (e.g., whole milk) are high in fat content and can contribute to high cholesterol levels and as a result, heart disease. Similarly, many cereal manufacturers have now promoted the supposed health benefits of consuming "all bran" cereals. One recent headline for a two page ad about Kellogg's cereals screamed, "Grab a weapon in the war against cancer."[6] This occurred because of the statistical linkage of certain bran and fibrous material consumption to low rates of intestinal cancer. Yet, what the advertising omits is the fact that there is great debate in the medical community about what the proper level of fiber consumption should be and the fact that an over consumption of fiber — a mistake uninformed consumers might make — can lead to a neglect in the diet of other sources of nutrition valuable for needed vitamins and minerals.[7]

The examples could continue. The items cited above are meant to be illustrative of the point that there are various areas of marketing — including product management, international issues, retailing, advertising, distribution, and pricing — that can raise ethical questions about appropriate marketing practice. The recent spate of business ethics scandals including the Wall Street insider trading scams, the price gouging by numerous defense contractors, and the check overdraft scheme by the former E. F. Hutton brokerage firm has only heightened the skepticism of the American public to business practices.

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How does the public feel about business?

Analysts who track the public pulse seem to have established a perception of business and marketing which is less than flattering. Consider the following statistics which seem to show that Americans generally distrust business and business people.[8]

* A *Business Week/Harris poll* indicated that white collar crime is thought to be very common (49%) or somewhat common (41%) and the 46% (most in any category) believe that the ethical standards of business executives are only fair.
* A 1987 *U.S. News and World Report* survey reports that the majority of the American public believes that most business people regularly participate in ethical transgression such as taking home office supplies, padding expense accounts, and using small amounts of organizational funds for personal purposes.
* A 1987 *Time* study suggests that 76% of the American public saw a lack of business ethics in business managers as contributing to the decline of U.S. moral standards.
* A 1988 *Touche Ross* survey of the business community reported that the general feeling (even among business people) is that the problems concerning business ethics which have been portrayed in the media have not been overblown or exaggerated.

From a marketing standpoint, it is even more distressing to realize that among various categories of business professionals those holding marketing positions are viewed to be among the *least* ethical. For example, in a 1983 *Gallup* study judging the ethicalness of various occupations, the categories salespeople and advertising practitioners were ranked at the bottom of the honesty and ethical standards scale.[9] This disturbing public opinion probably developed because of the unethical practices of a minority. Yet, because of data like these all marketers are too often construed as hawkers, pitchmen, con-artists, and cheats. This festers a cancer which gnaws on the integrity of marketing practitioners everywhere.

Does the typical marketing manager face ethical problems?

Over the years, some marketing managers have argued that they are relatively exempt from ethical dilemmas or that such moral pressures do not generally affect them. In reality, most studies confirm that between 65 and 75 percent of all managers do indeed face an ethical dilemma at some point in their career. An ethical dilemma is defined for our purposes as confronting a decision that involves the trade-off between lowering one's personal values in exchange for increased organizational or personal profits. Thus based upon the reports of practicing managers, it appears that most marketing executives are *not* free from dealing with ethical concerns. If anything, the percentages referenced above underestimate the number of marketers who face ethical dilemmas because some may not recognize one when it confronts them. Judging from the questions being raised about the propriety of marketing practices on all its fronts, the proposition that many marketing decisions have significant moral consequences seems a truism.

Can emphasizing ethics make a difference?

The point has sometimes been made that preaching ethics in an organization does not have an effect upon the behavior of managers. This view was captured in the old adage which states "scruples, either you got 'em or you ain't." For years, the Harvard Business School and other colleges of business did not bother to teach business ethics on the supposition that efforts along these lines would most likely prove fruitless. Underlying this approach is a stream of research that indicates moral development occurs at a rather early age and by the time an individual enters a business organization, his/her moral sensibilities are rather established and somewhat immutable.[10] There is evidence that this viewpoint is probably in error as various organizational case studies that have consistently shown the ethical gyroscopes of managers can be spun about by organizational actions and economic pressures.[11]

One way to establish how ethical concern might be of value to an organization is to visualize the archetypal ways in which managers might confront an ethical issue.[12]

First, you have the *crook*. This kind of individual looks at a particular marketing situation, realizes that it has negative ethical consequences, *knows* that

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taking the action would be morally wrong but consistently goes ahead and takes that action – presumably for personal reward and the (short-term) economic gain of the organization. Such unethical, and often criminal activity, exists in a minority of the population including marketing executives. Most companies will attempt to purge such individuals from the organization when their pattern of action becomes evident. Others, however, may tolerate such behavior if the actions lead to economic rewards for the organization. In any event, concern for ethical issues by the organization will probably not influence the behavior of this type of individual.

A second kind of manager might be called the *good samaritan*. This manager looks at a decision with potential ethical consequences and, based upon some method of moral reasoning and personal principles, generally arrives at what is arguably an ethical and just resolution of the decision. Like the crook, such highly principled good samaritans, who almost always recognize the ethical consequences of their actions and then can reason to appropriate conclusions without respect to the organization, are relatively rare.

The third type of manager might be called the *seeker*. This manager genuinely wants to do the right thing but does not always have the appropriate information or awareness. Seekers may be required to make decisions having ethical consequences but they may not recognize an ethical choice. This type of manager can clearly benefit from ethical education as well as a greater degree of stated ethical concern by the organization. Such managers need to be made aware of the potential ethical consequences of marketing decisions as well as the trade-offs that exist among the alternative actions that are available when making a decision with substantial ethical consequences. We suspect the number of managers falling into the "seeker" category is fairly substantial and especially describes those younger or less experienced marketers.

The fourth type of manager – the *rationalizer* – presents the most difficult situation. The rationalizer recognizes that certain decisions have ethical consequences, but they generally will find a way to justify the most economically expedient solution whether it is ethical or not. That is, they have the ability to recognize that there are moral consequences to particular decisions, but in their mind they can find a reason why in their situation the normal moral cautions do not apply. Obviously, this sort of manager can benefit from heightened ethical concern in the organization. This is particularly true when that concern takes a form which teaches a method of moral reasoning that can be applied to marketing decisions or compels them to act ethically because they fear organizational sanctions.

The upshot of this discussion is that at the extremes, efforts to stimulate ethical concern by organizations will not change managerial behavior. Certain managers (i.e., crooks) will be predisposed to act unethically and others (i.e., good samaritans) will try to do the right thing regardless of the organizational posture. However, in the middle ranges, where one suspects we find most managers, there would appear to be a sufficiently large number either looking for moral guidance (i.e., seekers) or not having the necessary background or fortitude (i.e., the rationalizers) to reason through morally difficult problems. For organizations concerned with improving their ethical climate, the ability to influence seeker and rationalizer type managers becomes a valuable strategic window of opportunity. Those managers who do not regularly recognize the ethical implications of their decision are in need of having their ethical sensitivities raised by ethics education. Those who recognize the situation with moral consequences but cannot properly deal with them are in need of education in the realm of ethical reasoning. It may be that via ethics seminars or even some customized "paper and pencil" tests, organizations can learn what percentage of their managers most likely fall into each category. Then, ethics codes, programs or education can be tailored to fit the ethical needs of the companies' executives.

Why should marketing organizations attempt to foster ethical behavior?

Besides the obvious answer that being ethical is simply the proper thing to do – a point which will be developed later – marketers should be ethical because not to be so will likely generate significant personal, organizational, and societal costs.[13] Consider first the personal costs. If an action is illegal as well as unethical (as many such actions are), the manager who makes the questionable ethical deci-

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sion can be held personally liable. The case of the Foreign Corrupt Practices Act of 1977 (which applies to U.S. based organizations) that prohibits the bribery of foreign officials to obtain overseas contracts illustrates this point.[14] For each violation — that is, the payment of a bribe — the organization is subject to a $1 million dollar fine. More significant, however, the manager responsible for this payment is subject to a $10,000 fine per violation and a maximum of 5 years in prison. Relatedly, the courts are increasingly disposed to incarcerate executives shown to be responsible for violations of the law which endanger consumers.[15] For instance, a manager who premeditatedly decides to market an unsafe product (the managers responsible for the earlier mentioned Norelco decision come to mind) are subject to criminal and personal liability. Criminal liability, of course, is the harshest of penalties but there are other negative outcomes. Organizations which take their ethical reputation seriously will not hesitate to terminate employees who violate ethical and professional norms. This is an obvious gesture which communicates an organization's seriousness of purpose concerning the maintenance of an ethical culture. Needless to say, such terminations will affect the future career prospects of these individuals, not to mention the personal embarassment that goes along with being fired.

There are also substantial *organizational costs* resulting from unethical behavior when ethical transgressions by a company become publicized. Typically, these take the form of reduced sales and a loss of goodwill. A classic case is the experience of the Nestlé Company with their marketing of infant formula in Third World countries.[16] In that particular situation, Nestlé attempted to aggressively market infant formula, as a substitute for mothers' breast milk, in less developed countries. Nestlé seemed to pay little attention to the fact that the proper use of infant formula requires sanitary conditions and a fairly high literacy rate on the part of mothers. Because these conditions were not present, infants incurred a substantially higher rate of malnutrition than if they had been fed mothers milk. As these circumstances became known, the result was a public relations nightmare as well as a balance sheet catastrophe for Nestlé. The derogatory publicity along with a substantial loss of sales was due to various boycotts of Nestlé products worldwide.

A similar case involves the Beech Nut Company which continued to sell a cheap, chemical based substitute juice as a real apple juice for babies, primarily to maintain its cash flow.[17] The company denied any wrongdoing even after the evidence had plainly been generated which would find the company guilty of hundreds of counts of premeditated product fraud. In this situation, the reputation of Beech Nut — a company marketing to children and one dependent upon fostering an image of safety and care — has probably become irreconcilably besmirched because of the actions of a few unscrupulous managers.

Finally, there are enormous *societal costs* which are generated by the unethical behavior of organizations. First, a consumer, who is tricked into buying a product that he/she does not need or who ends up paying substantially more for a product or service than is justified, incurs a surplus economic cost as well as some resentment toward the marketing system. Some groups such as the poor, the old, the handicapped, the mentally feeble, children, and recent immigrants are particularly vulnerable to unethical selling practices. Besides the economic or physical pain suffered by victims of unethical marketing practice, there is a general damage to the credibility of the existing economic system which requires a high level of trust to operate smoothly. Whether one believes in a free market economy or a planned economy, most business analysts agree that it is the economically efficient firm with the superior product that should be rewarded, rather than the dishonest firm which gains a preceived advantage via misrepresentation. Yet, when a competitive situation exists wherein an unethical marketing practice generates a short-term benefit for loss efficient firms, the advantages of the supposedly efficient marketplace are shortcircuited and shift toward the unethical firm. Needless to say, if questionable marketing practices happen to a greater extent, further erosion of confidence by the American public in the marketing system occurs.

Frameworks for ethical decision making

What standards do marketers use in order to grapple with questions that may have ethical implications? Historically, most marketers and business executives

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have gravitated toward a utilitarian method of problem solving. Applied to an ethical situation in a marketing context, the reasoning employed by many managers would take the form of a cost/benefit analysis. Businesspeople, because of their training, are naturally prone to talk about concepts such as "maximizing profitability" and "concern for the bottom line". Profitability essentially translates into the excess of revenue over cost. It does not require a great stretch of the marketing manager's imagination to apply a similar sort of thinking to an ethical context. Thus, managers often operate with a rule that essentially says, "make decisions such that the benefits to the firm exceeds the costs incurred by the firm to the greatest extent possible". Depending upon how a manager defines "benefits" and "costs" one might arrive at different conclusions. If the emphasis is upon economic criteria (such as short-term profits) it is easy to see how a fair amount of the ethical analysis conducted by business executives gives great weight to economic outcomes which evaluate how various options would benefit stockholders in the near term.

Thus looking at situations from their potential influence upon short run profitability, one can see how an organization rationalizes taking a product (for example, a toy dart gun) which has been declared unsafe in one market and attempts to sell it in another market where the regulation might not apply. The rationale: the organization does not have to write-off the inventory — a major cost. The inherent danger of the product might be arguable. Who is to say definitely that a plastic, rubber tipped dart gun is any more or less dangerous than a baseball? The sale of the product is perfectly legal, thereby protecting a revenue stream. In short, economic considerations often prevail over other possible perspectives like whether "toy guns" are a proper plaything or whether a firm should tolerate any product that has a likelihood of severly injuring a child.

This is not to say that there are no other short-hand decision rules besides utilitarian cost/benefit analysis which are used by business people. Other expeditious frameworks for ethical decision making have been articulated as useful. The extent to which these thumbnail frameworks have been utilized by marketers in particular situations has not been systematically studied. Some of the maxims which might aid a marketer facing an ethical dilemma are the following:[18]

The Golden Rule — act in a way that you would expect others to act toward you.
The Professional Ethic — take only actions which would be viewed as proper by an objective panel of your professional colleagues.
Kant's Categorical Imperative — act in a way such that the action taken under the circumstances could be a universal law of behavior for everyone facing those same circumstances.
The TV Test — a manager should always ask, would I feel comfortable explaining this action on TV to the general public?

Some thumbnail rules are difficult to apply in specific situations. At times, the application of one more rule of thumb to the same situation seems to suggest an entirely different solution. For example, if every sales rep pads his/her expense account by 15% because customary gratuities (i.e., tips) are not technically reimbursable, the *professional ethic* might dictate the practice is OK despite its variance from the letter of company policy. In contrast, the *categorical imperative* might be interpreted as suggesting that as a "universal rule" padding an expense account is not acceptable.

Still, such maxims can have considerable value. One wonders whether the product manager who permitted the Norelco Clean Air Machine to continue to be sold — knowing that methylene chloride might be leaking into the carbon filtration system — could possibly feel comfortable explaining those actions to the general public on TV. Similarly, the professional ethic can be extremely useful for those sub-specialties in business that have a code of professional conduct which covers certain re-occurring situations. For example, various groups of professional marketing researchers have developed detailed codes of ethics which cover commonly encountered situations by their peer group. Included, for instance, in many marketing research codes of ethics would be dictums that stipulate that respondent confidentiality should be protected when it is promised, that data which does not confirm the hypothesized findings of the researcher is not suppressed, that the limitations of various statistical methods are identified in the research report, and so forth.

Whatever frameworks are used, the consensus

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regarding what constitutes proper ethical behavior in a decision making situation tends to diminish as the level of analysis proceeds from the abstract to the specific. Put another way, it is easy to get a group of managers to agree *in general* that a practice is improper; however, casting that practice in a very specific set of circumstances usually reduces consensus. For example, most managers would agree with the proposition that "business has the obligation to provide consumers with facts relevant to the informed purchase of a product or a service." However, let us test this proposition in a specific situation.

> Suppose we have a manufacturer of cleaning concentrate whose directions call for mixing one part of the concentrate with four parts of water; suppose further that this cleaning concentrate has been sold in this manner for 25 years. Now, assume that an issue of *Consumer Reports* indicates that the product will clean just as effectively if mixed with one part concentrate to eight parts water. Thus, consumers need only use one half as much concentrate. Does the company have an ethical responsibility to inform customers of this fact?

Again, most managers *agree* that business has the obligation to provide consumers with facts relevant to an informed purchase. But does such an informed purchase include full disclosure of this *new information*, especially if further product testing in different situations would produce different results?

Because of the difficulty of applying such general principles to specific case situations, a number of researchers have begun to investigate what factors account for the particular decisions of managers in an ethical context. In an effort to aid their investigations, some of these researchers have begun to formulate *models* which stipulate the factors which come into play as a marketing manager arrives at an "ethical" decision.

Models of marketing ethics

The Moral Development Model

This approach draws partly upon the analysis of educational psychologist Lawrence Kohlberg, who studied the moral development of adolescents.[19] Basically, Kohlberg postulated that over time individuals develop moral systems which are increasingly complex although there was no guarantee that any particular individual moves beyond the initial and most fundamental stage of moral development. Essentially, Kohlberg saw three broad levels of cognitive moral development. These were:

* *The preconventional stage* where abiding concern of the individual would be resolving moral situations with the individual's own immediate interests and consequences firmly in mind. An individual at the preconventional level would give strong weight to the external rewards and punishments which would be most likely to affect them. Normally, this stage includes a strong emphasis upon literal obedience to rules and authority.
* *The conventional stage.* Individuals at the conventional stage have progressed to a level where their ethical decision making mode takes into consideration the expectations of some significant referent group and larger society. What constitutes moral propriety has to do with a concern for others, however, still motivated most directly by organizational rules. Such rules are tempered by keeping loyalties and doing one's duty to society.
* *The principled level.* This is the highest stage of moral development. Individuals who reach this level solve their ethical problems in a manner that goes beyond the norms and laws that are overtly applicable to a situation. Proper conduct certainly includes upholding the basic rights, values, and legal contracts of the society, but beyond that such individuals seem to subscribe to universal ethical principles which they believe that all members of society should follow in similar situations.

What the Moral Development model implies is that the ethical sophistication of managers can increase over time. The major difference among the various stages of moral development according to this approach is that as the manager moves to a higher level of moral development the individual is able to take more factors into consideration, especially factors which go beyond personal self interest. Two major implications of the Moral Development model are that (a) some managers will be less sophisticated than others in terms of the considerations they bring to bear to a decision with potentially moral consequences. At the most basic level, some managers will

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operate almost totally from the standpoint of egoistic self interest. And (b), perhaps there are interventions that organizations can bring to bear which will compel managers to higher levels of moral development — assuming this is a goal which is seen as in the interst of the organization.

The Contingency Model

Another model has been developed by Ferrell and Gresham.[20] In addition to the usual individual factors that might influence an ethical decision, their approach suggests two major intervening issues that will determine whether a manager acts ethically or not. There are: the *opportunity* to engage in potentially unethical action and the *relative influence* (positive or negative) *of reference groups*, especially peers and top management. With regard to the role of these reference groups, the model stipulates that when contact with peers is great, peers will have a greater degree of influence upon ethical/unethical behavior. Conversely, when the interaction with top management is substantial, the attitudes communicated by top management will have a strong formulative role in shaping the behavior of subordinate managers concerning ethical decisions. For example, sales reps often operate in a fairly autonomous fashion in the field with limited contact with management. In such cases, the attitudes of peers regarding ethical issues would likely be more influential than the opinions of management.

With respect to the *opportunity* to engage in unethical behavior, it is not surprising that the model postulates that the greater the opportunity to engage in such behavior the more likely an individual will do so — all other things equal. The proclivity to favor an unethical option is tempered of course by the rewards and punishments which are operating in a particular manager's environment. That is to say, unethical behavior is discouraged by codes of ethics which prohibit certain activities. Similarly, when punishments are enacted for violation of certain professional conduct, unethical behavior is less likely to occur. In the absence of such sanctions, the probability of a manager acting unethically increases.

The contribution of the Contingency Model is that it shows individual values are not the sole arbiter of ethical behavior; peer and supervisor influence is also extremely important. With respect to the role of top management, there is an old organizational adage which suggests that the business enterprise is but a lengthened shadow of the person at the top. In all probability, the posture of top management may be the single most important factor determining ethical behavior in an organization.[21] Similarly, the notion of opportunity to act unethically simply underscores the common sense notion that options which are not available will not generally be taken.

The Reasoned Action Model

Other approaches to the study of ethics have taken the "rational man" approach.[22] The basic idea is that a typical individual will approach an ethical problem from a rather calculating perspective. First, the person must perceive that a situation has ethical dimensions. At this point, several evaluations take place. One involves a judgement concerning the inherent rightness or wrongness of the ethical question [at issue]. Either basic or sophisticated principles are used to arrive at this judgement. A second step involves a determination of what the preceived consequences of acting ethically or unethically are. The probability that each of those consequences will occur are then subjectively calculated taking into consideration the importance of each outcome. The ultimate ethical judgement arrived at by the manager is the result of judgement concerning the norms of behavior (i.e., the evaluation regarding the rightness or wrongness of the action) in conjunction with the evaluation of the net gain from each outcome adjusted for the probability of its happening. What all this means is that managers will systematically weigh the possible options and outcomes in light of their individual value system. One of the essential problems of the approach is that it never clearly specifies whether the evaluations are made from the standpoint of the person, the manager as representing the organization or the manager taking into account the various stakeholders (i.e., consumers, employees, etc.) of the firm.

Although this model may seem complicated upon first exposure, it is not terribly complex. Brought down to its essentials, it implies the following:

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1. If managers perceive a situation which requires an action which may have ethical consequences they will attempt to elaborate the alternative outcomes of the options available to them.
2. In coming to a decision as to which option to choose, managers will weigh factors including the inherent rightness or wrongness of the act itself, the probability that acting in a particular way will lead to certain payoffs, and the values of those payoffs.
3. All of this will lead to formation of an ethical judgment which will culminate in the *intention* to take a particular action. Whether the action is actually taken or not can still be mitigated by various situational factors such as the likelihood of getting caught.

Again, the value of models like those described is that they elaborate important issues which bear upon ethical decision making. Whether these factors deal with the moral development of the individual manager, the influence of top management or peer groups, the opportunity to engage in particular actions, or the value of various outcomes to the manager, they are all organizational aspects which can be adjusted to possibly improve the firm's ethical posture. Perhaps the greatest shortcoming of such models is that they are basically descriptive. While they elaborate factors that come into play when managers might take an action with moral consequences, such approaches generally avoid making any moral judgments about the propriety of various actions.

The organization which is interested in *improving* rather than simply understanding the ethical decisions which take place in marketing, needs (a) an organizational mandated sequence of ethical reasoning that a manager can utilize, and (b) organizational commitment by top management to an ethical culture. Each of these topics are treated briefly below.

A sequence of questions to improve ethical reasoning

One approach to more normatively deal with ethical issues is to require managers to proceed through a sequence of questions which essentially test whether the action that they contemplate is ethical or has possible ethical consequences. A battery of such questions might include the following:[23]

Question 1: Does the contemplated action violate law?

Question 2: Is the contemplated action contrary to widely accepted moral obligations? (Such moral obligations might include *duties of fidelity* such as the responsibility to remain faithful to contracts, to keep promises, and to tell the truth; *duties of gratitude* which basically means that special obligations exist between relatives, friends, partners, cohorts, and employees; *duties of justice* which basically have to do with obligations to distribute rewards based upon merit; *duties of nonmaleficence* which consists of duties not to harm others; *duties of beneficence* which rest upon the notion that actions should be taken which improve the situation of others – if this can be readily accomplished.)[24]

Question 3: Does the proposed action violate any other special obligations which stem from the type of marketing organization at focus? (For example, the special duty of pharmaceutical firms to provide safe products, the special obligation of toy manufacturers to care for the safety of children, the inherent duty of alcohol manufacturers to promote responsible drinking.)

Question 4: Is the *intent* of the contemplated action harmful?

Question 5: Are there any major damages to people or organizations that are likely to result from the contemplated action?

Question 6: Is there a satisfactory alternative action which produces equal or greater benefits to the parties affected than the proposed action?

Question 7: Does the contemplated action infringe upon the inalienable rights of the consumer (such as the right to information, the right to be heard, the right to choice, and the right to redress)?

Question 8: Does the proposed action leave another

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person or group less well off? Is this person or group already a member of a relatively underprivileged class?

The questions outlined need not be pursued in any lockstep fashion. If none of the questions uncover any potential conflicts, clearly the action being contemplated is quite likely to be ethical. However, if the sequence of queries does produce a possible "conflict," this does not necessarily mean that the action being proposed is unethical *per se*. There may be unusual intervening factors which would still allow the action to ethically go forward. For example, suppose it is determined that the contemplated action is a violation of the law. Perhaps the law is unjust and thus, there could be a moral obligation for an organization to transgress the law. Similarly, suppose there is an alternative action which could be taken which would produce equal or greater good for a larger number of individuals. However, the implementation of this alternative would bankrupt the existing organization. In such a situation, the taking of the alternative action (rather than the contemplated action) is very likely not required.

Organizational commitment to an ethical culture

The sequence of questions discussed can enhance the moral reasoning ability of managers. However, the organization can take other steps which attempt to shape the *behavior* of managers by virtue of the organizational environment in which they operate. Several possible steps are addressed here. These actions can influence the organizational culture in the long term.[25]

Top management leadership

A primary factor in setting a firm's ethical tone is the posture and seriousness of purpose communicated by top managers toward this issue. Most studies of business and marketing ethics make this quite clear.[26] As Deal and Kennedy point out in their book, *Corporate Cultures*, managers give extraordinary attention to those matters stressed in the corporate value system. These values are personified more often than not by the top executive in the organization.[27]

It is commonly accepted that companies are overmanaged and under-led. Leadership is important in all aspects of the firm, but it is critical in the ethics area. Examinations of CEO's characteristics typically list integrity as an indispensible ingredient. For instance, James Burke, former CEO of Johnson & Johnson, directed managers to evaluate the company's successful corporate credo. These efforts are credited as being responsible for the swift product recall and sensitive reaction to the infamous Tylenol poisonings. Another illustration of leadership and integrity is Lee Iacocca's stance regarding Chrysler's past practice of disconnecting odometers of cars while driven by company executives. Iacocca admitted the firm had made a mistake in judgment and promised that the practice would never happen again.[28]

Codes of ethics

These statements are ideally the articulation of corporate values in a moral context. One recent report indicated that 75–80% of all major corporations have established codes of ethics.[29] Such codes can help vitalize the organization, but some are simply "public relations boilerplate" or "motherhood and apple pie" statements. In fact, one study indicated that most existing codes are primarily legalistic in orientation.[30]

Although a few firms, such as the aforementioned example of Johnson & Johnson, have a short and general corporate credo, most companies delineate their ethical stance in a formal and longer code of ethics. These codes commonly address issues like conflict of interest, treatment of competitors, the right to privacy, gift giving and political contributions. Despite their limitations, a recent survey stated that codes are perceived to be *the* most effective way to encourage ethical corporate behavior.[31]

We propose that for codes to have the maximal impact, they should be:

Publicized and Communicated to the Organiziation — New employees are usually asked to read and sign off on the code during their orientation. However, the code is quickly forgotten if it is never mentioned

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again. Firms should regularly communicate with marketing personnel about the code and publicize it in departmental memos and meetings. Some firms, including Michigan National Bank, require that employees read and affirm their commitment to the code on an annual basis.

Specific – To avoid vagueness, the code should offer specific guidance to sales and marketing executives. Words that have vague meanings should be avoided. In the gift giving and receiving area, words like nominal, token or modest should not be used. Some firms do follow this type of policy. For example, Waste Management tells employees that gifts should not exceed $100 in aggregate annual value and Donnelly Mirrors' code states "If you can't eat it, drink it or use it up in one day, don't give it or anything else of greater value."

Pertinent – In our examination of codes of ethics, we are continually struck by how similar they are. More thought needs to be given on placing pertinent information in the code. The point is that each organization has certain areas that are particularly likely to encounter ethical abuse, and these concerns are one on which the code should focus. For instance, toy companies must make special provisions for protecting the safety of children. Mail order firms should address the question of their return policy and how they handle merchandise damaged in shipping. Companies that spend millions of dollars on promotion and advertising need to detail their advertising philosophy as well as what program vehicles or media they will or will not use.

Enforced – To gain the respect of managers and their subordinates, the code of marketing conduct must be enforced. Sanctions should be specified and punishments meted out. What the particular sanctions for a given violation would entail depends on the violation. For example, padding an expense account for the first time may result in a salesperson losing his or her commission for a period of time, while a manager who induces employees to use bait-and-switch tactics might be dismissed. Specifically, Baxter's (formerly Baxter-Travenol) code states that violators will be terminated.

Revised – To remain current, codes should be revised periodically. They need to be living documents to reflect changing worldwide conditions, community standards and evolving organizational policies. For example, Caterpillar instituted its code in 1974 and revised it 1977 and 1982. Johnson & Johnson's credo came into being in 1945 and was modified slightly in 1979 as a result of the credo challenge meetings.

Ethics seminars/programs

A number of organizations choose to hold periodic seminars for marketing managers that deal with the question of ethics. Each manager might be required to attend one seminar every several years. The purpose of such educational modules is not so much to provide exact answers to particular questions as to sensitize managers to potential ethical problems that fall within the domain of their responsibilities. The programs or seminars may take the form of helping managers develop their capability to morally reason or involve the discussion of hypothetical case situations which treat circumstances that could conceivably arise.

There are several avenues that firms can travel in developing these ethics seminars or programs. One option is a modest effort such as having a speaker or panel at a dealer meeting or corporate conference. For instance, a recent market research conference sponsored by Drakett Company (a Bristol Myers subsidiary) included such an ethics module where several ethically-charged cases were discussed. A second possibility is longer "in-house" conferences or off-site meetings on the subject. Poleroid held a serves of ethics conferences several years ago. Probably the most extensive ethics seminar is conducted by Chemical Bank. Their "Decision Making and Corporate Values" program is a two-day, off site, seminar aimed at the VP level. Discussion centers around ethics cases, such as credit approval, branch closings, foreign loans and insider trading – all developed from interviews with Chemical personnel.[32]

A third type of program was undertaken a couple years ago at McDonnell Douglas. The firm distributed three ethics books to all employees of the company. The revised code and other material followed the previously mentioned points for a well-constructed code. The company also instituted a company-wide ethics training program for both white and blue collar employees.[33] Even though

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McDonnell Douglas undertook this extensive ethics program, some of its marketing executives were implicated in a subsequent defense contractor scandal. Thus, there are no guarantees that ethics programs or seminars will institutionalize ethics within all parts of the firm.

Ethical audits

Increasingly, firms are findings that unless they monitor their ethical performance, it will be taken for granted. As a result, some companies have developed systematic procedures which allow the organization to determine whether its employees are taking the commitment to ethical and social responsibility seriously. This process can involve the utilization of an outside consultant or perhaps a special ethics committee of the board of directors empowered to periodically evaluate operations against a prescribed set of standards.

Perhaps the company with the longest and most complete ethical audit program is Dow Corning, based in Midland, Michigan. The firm started using face-to-face audits at its plants over a decade ago and holds about twenty of these meetings annually. The number of participants in these four to six hour meetings range from five to forty. The auditors meet with the manager-in-charge the evening before so as to ascertain the most pressing issues. Actual questions often come from a relevant section in the corporate code and are adjusted to the audit location. Sample questions are: Do any of our employees have ownership or financial interest in any of our distributorships? Have our sales representatives been able to undertake business conduct discussions with distributors in a way that actually strengthens our ties with them? A Business Conduct Committee oversees the audits and then prepares a report for the Board. The manager who heads this effort says there are no shortcuts to implementing this program because it requires much time and extensive interaction with the people involved.[34]

Conclusion

To return to an earlier point, some managers when given the opportunity to act unethically, especially when that action will lead to *personal gain*, will choose to be unethical. All marketing managers will not behave like saints anymore than one could expect perfect behavior from all doctors, lawyers, or college professors. Nevertheless, for the organization that takes its ethical duties seriously, the provision of mechanisms to help managers better morally reason through ethical problems and the establishment of a corporate culture which will help direct managerial actions toward beneficial ends goes far in the establishment of an ethically enlightened marketing organization.

Notes

* This article is based on material forthcoming in *The Higher Road: A Path to Ethical Marketing Decisions*, Allyn & Bacon, 1992.

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Marquette University
Milwaukee, WI 53233,
U.S.A.

University of Notre Dame,
Notre Dame, IN 46556,
U.S.A.

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