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Marketing decisions do have major ethical consequences. One needs only to examine the pages of metropolitan newspapers to find examples such as the following:

A major automobile manufacturer advertises rebates inflated by 25 percent because dealers are not passing their proportion of the rebates back to the customer.

A national soft drink manufacturer threatens to revoke bottler franchises if they participate in a rival competitor's legal campaign to promote a new line of soft drinks.

A major health exercise chain pretends to do telephone market research but actually conducts telephone selling.

Various organizations sell products declared unsafe (via government regulation) in the United States to other (usually less developed) countries where regulation has not determined the safety of those products.

The list of examples could go on. These few illustrations raise important issues such as misleading advertising, the use of coercive power in the channel of distribution, unethical selling and marketing research, and the sale of unsafe products.

Some marketing managers might argue that they are exempt from such ethical dilemmas or that such pressures do not affect them. In fact, a widely cited study confirms that between 65 percent and 75 percent of all managers do indeed face an ethical dilemma at some point in their career (Carroll 1975) (an ethical dilemma being defined as confronting a decision that involves sacrificing personal values for increased organizational profits). Thus, the majority of marketing managers is not free from ethical concerns or considerations. This lends credence to the proposition that marketing decisions and their moral consequences are inextricably linked.

The Costs of Unethical Marketing

Unethical marketing decisions can have significant personal, organizational, and societal costs. Consider first the personal costs. If an action is illegal as well as unethical (as many are), the manager who makes the unethical decision can be held personally liable. Two examples illustrate this point. The Foreign Corrupt Practices Act of 1977 (which applies to U.S.-based organizations) basically prohibits the bribery of foreign officials to obtain contracts for overseas business (Kaikati and Label 1980). For each violation—that is, the payment of a bribe—the organization is subject to a \$1 million fine per violation. 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. A second example illustrates the same point. Recent product liability cases seem to suggest that managers who knowingly decide to market unsafe products are subject to criminal and personal liability just as the organization for which they work is subject to culpability (Morgan 1982). These examples illustrate a fundamental point—namely, that unethical marketing decisions often cannot be made without the incurrence of individual responsibility by the manager involved.

There are substantial organizational costs as well. When unethical practices become known to the public, the organization will likely endure economic penalties. A sterling case in point would be the experience of the Nestlé Company with the marketing of infant formula (Sethi 1979). In that particular situation, Nestlé attempted to aggressively market infant formula as a substitute for mother's breast milk in less developed countries. Nestlé seemed to pay little attention to the fact that the proper use of infant formula required sanitary conditions and a fairly high literacy rate on the part of mothers so they could properly use the formula. Because these conditions were not present, infants incurred a substantially higher rate of malnutrition than if they had been fed mother's milk. These circumstances became known, and the result was a public relations nightmare as well as a balance sheet catastrophe for the Nestlé Company. Derogatory publicity along with a substantial loss of sales occurred due to the various boycotts of Nestlé products worldwide.

Finally, societal costs—often called *externalities*—are also generated because of unethical marketing practices. First, most unethical practices are not without their victims. For example, when consumers buy products because of misleading advertising or purchase unsafe products, they become victims of the unethical marketing practice. Many groups are particularly vulnerable to unethical selling practices, including the poor, the old, the handicapped, the mentally feeble, and recent immigrants. The disservice to these groups and others is a social cost that must be kept in mind. Second, there is damage to the workings of the economic system. Whether one believes in a free enterprise economy or a relatively planned economy, most would agree that the most

Table 8-1
Overview of Honesty and Ethical Standards
(percent)

Occupation	Very High, High	Very High	High	Average	Low	Very Low	No Opinion
Clergy	64	24	40	27	3	1	5
Druggists, pharmacists	61	14	47	33	3	1	2
Medical doctors	52	14	38	35	7	4	2
Dentists	51	8	43	41	3	2	3
College teachers	47	10	37	38	4	1	10
Engineers	45	7	38	39	2	1	13
Police officers	41	7	34	45	7	4	3
Bankers	38	5	33	49	7	2	4
TV reporters, commentators	33	5	28	47	11	4	5
Funeral directors	29	5	24	43	12	7	9
Journalists	28	4	24	47	13	4	8
Newspaper reporters	26	3	23	52	12	4	6
Lawyers	24	5	19	43	18	9	6
Stockbrokers	19	2	17	45	8	3	25
Business executives	18	3	15	55	15	5	7
Senators	16	2	14	48	21	9	6
Building contractors	18	3	15	53	18	5	6
Local political officeholders	16	2	14	49	21	8	6
Congress members	14	3	11	43	26	12	5
Realtors	13	2	11	52	21	7	7
State political officeholders	13	2	11	49	23	8	7
Insurance salespeople	13	1	12	49	22	12	4
Labor union leaders	12	2	10	35	24	20	9
Advertising practitioners	9	2	7	42	26	13	10
Car salespeople	6	1	5	34	32	23	5

Source: Gallup Poll (1983), "Honesty and Ethical Standards," *Report No. 214* (July).

Survey is based on a sample of 1,534 adults age 18 and older.

economically efficient firm rather than the most dishonest firm should be one that is rewarded. When a competitive situation with unethical marketing practices exists, the advantage in the marketplace falls to the unethical firm. Third, the confidence the public has in the profession of marketing erodes. A Gallup Poll (1983) ranked salespeople and advertising practitioners at the bottom of the ethics scale when ranking twenty-five professions (table 8-1). Because of the unethical practices of the few, all marketers are painted as hawk-

ers, con artists, and cheats. Thus, the integrity of all marketers is called into question—a characterization that the discipline of marketing cannot afford.

The Current State of Marketing Ethics

These occurrences would not be so disturbing if it were apparent that marketers were operating at as high an ethical level as could be expected. But the evidence is somewhat to the contrary; that is, the organizational climate for marketing ethics could be clearly improved. Two relatively important studies suggest this. The findings of a survey by Ferrell and Weaver (1978) of marketing practitioners indicate that managers see their own moral values as exceeding the moral values they perceive are expected by the corporation.

A second survey, undertaken by Sturdivant and Cocanougher (1973), suggests that individuals provide a less ethical response when asked to role play a vice-president of marketing than the response they would provide when asked to play the role of a consumer. Specifically, when faced with scenarios containing ethical implications such as promoting cigarette smoking to teenagers or building a promotional campaign around a particularly obnoxious television commercial that nevertheless has high recall rates, the managers are more tolerant of the practice when they are role playing the position of the marketing executive. Together, these studies seem to present circumstantial evidence that the ethical values projected by the organization can be in conflict with the individual values held by the manager.

Recommendations for Improving Marketing Ethics in the Organization

The problem is not in finding ethical issues related to marketing or even in documenting the costs that these practices may have but in creating organizational and decision-oriented mechanisms to deal with these problems. Too often marketing managers fall back on simplistic maxims such as the Golden Rule or vague codes of behavior. The overriding purpose of this chapter is to discuss some of the organizational and strategic mechanisms that hold the most promise for overseeing ethical performance in marketing. Special consideration is given to discussing the analysis necessary to evaluate the effectiveness of these mechanisms. The specific recommendations for improving marketing ethics are codes of marketing ethics, marketing ethics committees, and ethics education modules for marketing managers.

Codes of Marketing Conduct

A majority of major organizations have published codes of ethics. How many have specific codes of marketing ethics has never been determined, although

certain sections of their general code may often apply to marketing. IBM and Quaker Oats are examples of two organizations that have sections of the corporate code that deal with specific marketing practices. At minimum, such codes reflect a nominal commitment to a proprietary operating standard by the organization. If written with care, they can provide managers with some useful operational guidelines for ethical decision making. For the organization that does not have a marketing code, the initial formulation process for such a code can improve the sensitivity of managers in the organization to ethical questions.

Unfortunately, codes of ethics generally and marketing codes in particular, often involve major problems. Codes are often viewed as primarily public relations documents, and consequently, many managers may be skeptical of their operational value to the organization. In addition, many codes are somewhat vague since they can hardly be exhaustive regarding the potential ethical problems that a manager might encounter. Furthermore, many codes are not enforced. A typical example of this is the code of ethics of the AMA, which appears on the back of the membership card. It is a six-point code, with the final point calling for the withdrawal of membership if an individual is found to be in violation of the ethical standards of the profession. Although we suspect that there have been AMA members who have engaged in unethical conduct, to the best of our knowledge no individual has ever been forced to withdraw from the AMA.

Given these problems, what can be done to assure that a code of marketing conduct has practical value to the organization? At minimum, the code of marketing conduct should have the following characteristics:

1. To avoid vagueness, the code should deal with issues that are peculiar to the industry for which the code is written. For example, toy companies must have special provisions for protecting the safety of children. Distillery firms should address the question of encouraging responsible drinking in their code of ethics. Mail order houses must address the question of their return policy and other key areas. The point is that each organization has certain areas that are particularly likely to encounter ethical abuse, and these are the areas on which the code should focus.
2. To gain the respect of managers and their subordinates, the code of marketing conduct must be enforced. Sanctions should be specified and punishments should be meted out. What the specific sanctions for a given violation would be would depend on the specific situation. For example, padding an expense account may result in a salesperson's losing his or her commission for a period of time, while a manager who induces employees to use bait-and-switch tactics constantly might be dismissed.
3. To remain current, codes should be living documents. Thus, they should be periodically revised to reflect changing environmental conditions and community standards.

This last point strikes at one of the major advantages of marketing codes of conduct: Such documents can anticipate ethical problems and provide guidance. This contrasts with the law, which comes into play only after a violation has occurred. For example, in the case of the manager who knowingly sends out a shipment of unsafe products, that manager is guilty of an ethical violation—a breach of trust between managers and consumer. The determination of whether or not that manager is guilty of a legal violation must wait until an injury actually occurs and it is clearly shown in a court of law that the product was the direct cause of the injury.

In coming years, research dealing with ethical codes in marketing should focus on methods to make the codes more operational as well as examine the types of sanctions that seem most beneficial to making the code vital.

Marketing Ethics Committees

While many corporations have audit committees or committees on social responsibility, only a very few (for example, Norton Corporation, Monsanto, and Cummins) have a committee devoted exclusively to ethics. No corporation that we know of has a committee on marketing ethics. However, in many consumer goods companies, this might be an idea worth experimentation because it locates the responsibility for ethics with a group having expertise in the very marketing methods that might raise ethical concern. Thus, while ethics is the responsibility of everyone in the corporation, its accountability should not dissipate among the many. A specific collection of individuals should be appointed to oversee the ethical marketing climate of the organization. In order to function effectively, this marketing committee requires the following:

The power to investigate any potential ethical abuses in marketing: These areas would range from advertising or selling practices to pricing policies and relationships with wholesalers or dealers.

The right to ensure that any employee who offers information on organizational wrongdoing receives no career repercussions or penalties: This raises the whistle-blowing issue. As many are aware, whistle blowers have frequently been hounded from the organization of which they are a part. An example of a company that has taken a progressive position in this regard is AT&T Corporation. They have a specific policy whereby a written form is provided to new employees that tells those employees that if they ever go public with information concerning wrongdoing in the organization, in the future they will not suffer disciplinary or retaliatory action.

The ability to adjust the code of marketing ethics: The committee would provide a logical vehicle for monitoring and updating the existing code as

well as reflecting an active commitment to ethics on the part of the firm. Organizationally, such a group could be a subcommittee of the existing internal audit team.

The duty to dole out the sanctions or punishments that might be specified by the code: Top management should give the committee the power to enforce ethical abuse.

Having an ethics committee in marketing does have disadvantages. First, it requires management time and could be perceived as a corporate police force by some members of the marketing team. Second, because some members of the marketing management team would necessarily have to be members of the committee, one would have a situation where the marketing organization was policing itself. Sometimes, such forms of self-regulation have proven to be less than effective. Nevertheless, in the future a key research issue will be to analyze the composition as well as the costs to the organization and its customers of such committees.

Ethics Education Modules for Marketing Management

The greatest commitment to high ethical standards in marketing might be reflected by holding periodic seminars for marketing managers that deal with the question of ethics. Each manager might be required to attend one such seminar every 3 or 4 years. The purpose of such educational modules would be to sensitize the marketing team to ethical problems specific to the company's operation and to imbue management with increased ethical awareness. The purpose of such seminars would not be to provide answers to ethical questions because there often are no definitive answers to ethical dilemmas. One of the few principles in the study of ethics that seems to have emerged is that levels of agreement among managers concerning what constitutes reasonable ethical conduct dissolves as the analysis moves from general to specific situations (Laczniak 1983b). Thus, the overriding purpose of the seminar would be to provide some instruction to managers on systems of moral reasoning and ethical thought.

It must be granted that the question of whether moral development in managers can be influenced is an issue that is subject to some debate. For many years the Harvard Business School subscribed to the view that a student either had ethics or did not when that student began his or her graduate studies in business. Ethics were viewed as something that could not be taught in the classroom. Similarly, one school of psychology suggests that moral development in individuals is complete by the end of the adolescent period (Munson 1979). However, contrary information exists. Some studies have suggested that courses in ethics and social responsibility have been among the

most valuable to managers when the worth of graduate course work was assessed in a period of 5 to 10 years after graduation from an MBA program (Purcell 1977). Similarly, the standards of the American Assembly of Collegiate Schools of Business—the accreditation body for U.S. business schools—requires that ethics be substantially covered somewhere in the curriculum.

Concerning structure, ethics seminars would likely require an outside coordinator (consultant) who would have access to management prior to attending the seminar for the purpose of developing a company- and/or industry-specific agenda for discussion. A large part of the educational module would probably consist of case analyses of ethical issues since the case method has shown to be one of the best ways of approaching ethical discussion in business. Maximum influence would also likely occur if participants knew that an outcome of the seminar would be an appropriate modification of the company's code of ethics, by virtue of a recommendation to the standard marketing ethics committee discussed previously. Educational programs like the one described here have a heartfelt and idealistic appeal that makes them worth trying. An important future research effort will be to determine if such programs do have a measurable influence on ethical practice by marketers.

The Significance of the Marketing Vice-President

The preceding plans depend on the full and enthusiastic support of top management. One of the few undisputed findings that emerges from research concerning ethics is that the single most important factor in setting an ethical climate for the organization is the attitude of top management (Laczniak 1983a). Employees tend to look to their superiors for behavioral cues regarding how they should act in particular situations. Thus, none of the suggestions proposed can come to fruition without the enthusiastic support of top management for such changes. In smaller firms, it may be necessary that the vice-president of marketing would have to develop the code and be the ethics committee as well as the educator on ethics issues.

Conclusion

This chapter does not provide specific answers to ethical dilemmas a marketing manager might face. However, we hope these suggestions provide guidance in assisting marketing managers in becoming more sensitive to ethical considerations. That alone might be a step in the right direction. Too long marketing managers have believed that if they discharge legal responsibility, they have acted ethically. As some of the examples have illustrated,

this is not always the case. Moreover, the unethical practices of marketing generate untold personal, organizational, and societal costs. These externalities should not be tolerated in the world in which we live.

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