MAKING ETHICAL MARKETING DECISIONS

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Abstract

The issue of ethics in business, and marketing in particular, has received much attention over the years in the popular press and academic journals as the debate continues over a working definition of ethics, how it applies to business, and why marketers should be especially concerned about ethics. This article reviews the literature on ethics and attempts to offer an applied ethical action model that marketing managers can use in all decision-making situations.

Background

- Rockwell International Corporation has been indicted for defrauding the Air Force ("Businesses are Signing" 1988);
- Ocean Spray Cranberries, Inc., has been indicted for polluting the environment ("Businesses are Signing" 1988);
- American Express has admitted planting defamatory stories in the press about a competitor ("Faxpoll" 1989);
- Rite Aid's president has been indicted for allegedly trying to bribe a state official ("Faxpoll" 1989).

These are just some of stories in the news almost every day dealing with marketing ethics. Stories appear on bribery, pricing, environmental considerations, product quality and safety, layoffs, advertising, honesty, and fairness. Companies that are affected by such ethical lapses range from the small to the large and cover all industries. The issue is not to condemn nor comment on the ethical lapses of specific businesses, but rather to develop an understanding of the concept of ethics in marketing by reviewing the literature. The end result of the process -- the purpose of this paper -- is the development of a four-stage ethical behavior model.

Potential ethical misconduct in marketing has been researched in great depth in the past 20 years, looking at such topics as the ethics of marketers (Baumhart 1961; Farmer 1967, 1977; Steiner 1976; Walton 1961), the ethical issues confronted by marketing managers (Chonko and Hunt 1985; Ferrell and Weaver 1978; Trawick and Darden 1980), and the influences in ethical decision-making (Alderson 1964; Bartels 1967; Chewning 1984; Colihan 1967; Laczniak 1983b; Patterson 1966; Pruden 1971; Westing 1967).

There seem to be two schools of thought on why ethics in marketing receives so much attention. The first makes the conjecture that since marketing is the business function charged with communicating and satisfying customers, that marketing is closest to the public view and thus is subject to deeper scrutiny than other functions (Laczniak and Murphy 1985). The second states simply that marketing is the area of business most prone to unethical practices (Laczniak and Murphy 1985).

Ethical Tools

The issue of ethics has kept philosophers busy for centuries, struggling to define right and wrong -- long before the issue of business ethics ever existed (Robin et al 1989). Of the several major ethical philosophies that have been developed, two fundamental types, utilitarianism and deontology, dominate the literature (Robin et al 1989). Deontology is favored over utilitarianism by moral philosophers, although both are considered popular (Robin et al 1989).

Utilitarianism is rooted in the thesis that an action or practice is right if it leads to the greatest good for the greatest number or to the least possible balance of bad consequences (Beauchamp 1983). Reaching this ideal of the greatest good or least bad involves performing a social cost/benefit analysis of all possible actions in question and choosing the action that meets the criteria (Robin et al 1989). Some of the major philosophers from the utilitarianism school include David Hume (1711-1776), Jeremy Bentham (1748-1832), and John Stuart Mill (1806-1873).

Deontology, on the other hand, maintains that the concept of duty is independent of the concept of good, that actions are not justified by the consequences of the actions, and insist on the importance of the motives and character of the agent rather than the consequences actually produced by the agent(Beauchamp 1983). This branch of philosophy focuses on universal statements of right and wrong; however, where there are exceptions, philosophers have suggested that there are prima facie (at first sight) universals that allow exceptions in certain situations (Robin et al 1989). The principle is always to act so everyone, faced with the same situation, should take the same action. The major philosopher who advanced deontology is Immanuel Kant (1734-1804).

Robin (1980) broke away from the two main schools of ethical thought in business -- deontology and utilitarianism -- by proposing that marketers use the relativist philosophy in dealing with ethics. Moral relativists believe that all moral beliefs and principles are relative to individual cultures or individual persons (Robin 1980). Moral relativists believe that rightness is contingent on individual or cultural beliefs and that the concept of something being right or wrong is meaningless outside of the specific context (Beauchamp 1983).

The difficulty for managers is how any of these ethical philosophies relate to everyday business decisions. Because of this problem, many business leaders developed "rules of thumb" to guide business practices, none of which are practical enough for managers to use in ethical decision-making. (Laczniak and Murphy 1985). Table 1 summarizes these primitive guides.

Table 1
Simplistic Ethics Rules of Thumb

• *The Golden Rule*: Do to others as you would expect others to do toward you.
• *Ethical Egoism*: Act in a way that maximizes your long-term interest
• *Utilitarianism*: Act in a manner that maximizes good for the greatest number of people.
• *Kant's Categorical Imperative*: Act in such a way that the action taken for a given situation could be universal law or rule of behavior.
• *Rawl's Rule*: Never act in such a way as to further weaken the social positions of persons who are already relatively disadvantaged.
• *Societal Ethic:* Act in such a way as trust, cooperation, honesty, and fairness determine your actions.
• *Professional Ethic*: Take only actions that would be viewed as proper by a disinterested panel of professional colleagues.
• *The TV Test*: A manager should always ask, "Would I feel comfortable explaining to a national TV audience why I took this action?"

Ethics of Marketers

The study of ethics in marketing management is relatively new, with the first major article appearing in 1961 when Walton wrote that the ethics of most marketers appear to be on a lower plane than society. Since Walton's (1961) article, most of the articles that have been written about the ethics of marketers have had a negative slant. Farmer (1967) emphasized the need for change by suggesting that the number of ethical issues in marketing caused a perception of hucksterism. Ten years later Farmer (1977), in a sequel to his 1967 article, reported that the ethics of marketers were still questionable because marketers dealt with greed, selfishness, and base human desires.

Baumhart (1961) wrote of the eight major ethical problems that business people wanted to eliminate, including: gifts, gratuities, bribes, and "call girls;" unfair pricing; dishonest advertising; miscellaneous unfair competitive practices; cheating customers, unfair credit practices, and overselling; price collusion by competitors; dishonesty in making or keeping a contract; and unfairness to employees. It should be noted that five of the eight are marketing-related.

Steiner (1976) reaffirmed that marketers were viewed as having lower ethics than the rest of society. Steiner theorized that the reason was that people could not understand the value of time, place, and possession utilities.

Ethical Issues Facing Marketing Managers

In the mid-eighties, Chonko and Hunt (1985) conducted an empirical study of 1,076 marketing practitioners who were members of the American Marketing Association to determine the major ethical issues facing marketing managers and the effectiveness of top management in reducing the ethical problems of marketing managers. The authors found that the major ethical issues facing marketing managers included bribery, fairness, honesty, price, product, personnel, confidentiality, advertising, manipulation of data, and purchasing, and that the most frequent source of ethical conflict arose from the relationship between corporate interests and interests of customers (Chonko and Hunt 1985).

The problems associated with short-term perspectives and profit maximization by organizations and shareholders and within the marketing function have received attention from several authors (Davis and Frederick 1984; Sorenson 1988; Steiner and Steiner 1985; Webster 1981). Sorenson (1988) states that "too much emphasis on short-term results not only can lead to operational distortions and penny-wise/pound-foolish decisions, but also can provide an incentive to falsify financial results" (p. 29). In a study of chief executive officers of major companies, Business Month (1987) found that eighty-nine percent of CEOs believe American business is too short-term oriented. One executive is quoted as saying: "Companies with short-term profit motives are pushed into doing things to be profitable that are not necessarily ethical."

Ethical Influences

Several scholars have examined the influences in ethical decision-making (Alderson 1964; Bartels 1967; Chewning 1984; Colihan 1967; Laczniak 1983b; Patterson 1966; Pruden 1971; Westing 1967). Chewning (1984) states that all ethical considerations revolve around how people ought to be and act and because managers are always taking actions, that managers are deeply involved in ethical considerations all the time -- whether they are consciousness of it or not.

Alderson (1964) wrote that personal morality is constrained by organizational and ecological factors, and these factors could improve or retard a person's ethical standard. The thrust of Alderson's article was that ethical decision-making of marketers directly affected employees, so that if the company participated in unethical practices, the situation might cause an employee to commit actions against his or her conscience.

Bartels (1967) identified some of the factors that come into play in reaching an ethical decision, including cultural influences, economic implications, organizational expectations, and the effects on the various publics (including stockholders, employees, customers, government, etc.) the organization served. Trevino (1986) agrees with Bartels, stating that ethical issues are ever present in uncertain conditions where multiple stakeholders, interests, and values are in conflict and unclear.

Pruden (1971) examined ethics by differentiating among personal, organizational, and professional ethics, noting that all three interact in influencing decision-making. Individual ethics developed from a person's beliefs and values. Organizational ethics, partially a product of many personal ethics, represented the needs of the organization to survive and grow (Pruden 1971). Professional ethics were the collective norms of the particular discipline. Pruden (1971) also noted that professional ethics could act as a countervailing force when organizational ethics seemed to overwhelm the ethics of an individual.

Westing (1967) theorized that personal morality was the overriding determinant in most situations involving marketing ethical questions and that the ethics of marketers were about the same as the ethics of other professionals. Westing (1967) also noted that many people fell prey to the idea that as long as a law is not violated, then the actions the people take are ethical.

The Missing Element

While the literature does a good job in examining the ethics of marketers, the issues facing marketing managers, the ethical influences on decision-making, and methods to improve ethical decision-making, what seems to be missing from the literature is a practical model managers can use in decision-making. Pastin (1986) notes that without this practical concept of ethics that "all too often, managers avoid thinking in ethical terms because they are unsure what ethics is and why it matters. Many are frustrated by the vague, nebulous term ethics and find that trying to define it is like nailing down Jell-O" (p. 33). Pastin adds that managers need a practical concept of ethics to apply to the problems they face in the workplace.

The Need for a Decision-Making Model

Over the years several models have been developed for analyzing ethical decision-making in marketing (Bartels 1967; Dubinsky and Loken 1989; Ferrell and Gresham 1985; Fritzsche 1985; Hunt and Vitell 1986; Klein 1985; Laczniak 1983a; Pruden 1971; Skinner, Ferrell, and Dubinsky 1988; Trevino 1986; Zey-Ferrell, Weaver, and Ferrell 1979; Zey-Ferrell and Ferrell 1982). The problem with the models that have been published, however, is that they only analyze ethical decision-making behavior rather than develop a guide that managers can refer to when trying to make ethical decisions.

Robin, Giallourakis, David, and Moritz (1989) state that "if very specific guidance could be combined with a value-based approach to social responsibility and corporate ethics, it could have an important impact on performance. There is simply no way to create enough rules to cover even the most ethically important occurrences, even if they could be identified before they occurred" (p. 72). The authors add that some statement of a company's ethical and socially responsible values, if one could be developed, would be a document that is open to all of the organization's publics and a constant reminder to employees about the expected approach for conducting all activities.

The first attempt at developing such a model will be developed in the next section and can be found in **Figure 1**.

Marketing Ethics Model

The Marketing Ethics Model, as can be seen in **Figure 1**, is a four-stage process that incorporates the philosophical theories of utilitarianism and deontology with applied logic in an attempt to give clear answers to all types of marketing decisions. The first three steps are basic components of ethical decision-making (Beauchamp 1983; Garrett 1966). The fourth and final step acknowledges the notion of outside influences on all marketing decision-making (Alderson 1964; Bartels 1967; Chewning 1984; Laczniak 1983b; Mason and Mitroff 1981; Patterson 1966; Pruden 1971; Westing 1967).

Figure 1
Ethical Marketing Decision-Making Model

I. Intentions: the overall marketing goals and objectives (long-term and short-term) as well as any secondary objectives.
- Is the duty of fidelity met? These would include the duty to remain faithful to contracts (written or explicit), to keep promises, to tell the truth, and to redress wrongful acts.
- Is the duty of justice met? This includes more than just legal standards -- includes moral standards as well.
- Is the duty of nonmaleficence met? This includes duties not to injure others, including physically and mentally.
- Is the duty of beneficence met? This includes actions taken to improve the intelligence, virtue, or happiness of others -- satisfying needs and wants.

Evaluate answers to above questions.:
- *If any of the answers are no, objective could be unethical. Return to first step and re-evaluate objectives with eye to greatest good.*
- *If all the answers are yes, continue to next step.*

II. Means: involves the process or method used to effect intention and bring about specific ends.
- Is the duty of fidelity met? These would include the duty to remain faithful to contracts (written or explicit), to keep promises, to tell the truth, and to redress wrongful acts.
- Is the duty of justice met? This includes more than just legal standards -- includes moral standards as well.
- Is the duty of nonmaleficence met? This includes duties not to injure others, including physically and mentally.
- Is the duty of beneficence met? This includes actions taken to improve the intelligence, virtue, or happiness of others -- satisfying needs and wants.

Evaluate answers to above questions.:
- *If any of the answers are no, action could be unethical. Re-evaluate actions with eye to greatest good and continue below.*
- *If all the answers are yes, continue below.*

Are there alternative actions that would effect intentions and bring about specific means?
- *If so, these must be evaluated using the above four duties.*
- *If no, proceed to next step*

III. Ends: are the outcomes, results, or consequences of actions.
- Are any of the duties sacrificed in either the first or second steps? If so, behavior could be unethical. Return to first step.
- Are there any foreseen side effects? If so, they must be evaluated using the four duties. Return to step one.
- Are there alternative actions that might produce more good, societal consequences? If so, return to second step.
- Are corporate goals being accomplished? If no, re-evaluate objectives with eye to the greatest good compared to corporate objectives.

IV. External Factors: things that could alter decision
- Industry, professional, or company code of ethics
- Top management intentions and influences

Implicit in this model is an understanding of all the publics a manager must deal with, including stockholders, regulators, the media, customers, suppliers, organized public interest groups, informal interest groups, leaders, foreign governments, criminal elements, and other outside constituencies (Mason and Mitroff 1981).

The first stage deals with the intentions of the decision -- keeping in mind the overall marketing purpose, including primary goals and objectives as well as any secondary objectives. In this section managers should evaluate their intentions based on four of the prima facie duties of utilitarianism. The four duties, as can be seen in Figure 1, are the duties of fidelity, justice, nonmaleficence, and beneficence. If the decision-maker answers negatively to any of the questions regarding the four duties, the objective could be unethical. If, however, the decision-maker answers affirmatively to all four questions, he or she moves to the next stage.

The second stage involves an evaluation of the means -- the process or method used to effect intention and bring about specific ends. This section includes an evaluation of the current action using the same four duties as in the first stage. In the second stage, however, the decision-maker is forced to come up with alternative actions that might be more ethical. Thus, the decision-maker goes through the same four questions of duties relating to the means, and if the answer to any is negative, the action should be assumed to be unethical. If the decision-maker answers affirmatively to all four questions, he or she, before moving to the next stage, also has to evaluate -- using the same four questions of duty -- any and all alternative actions, thus arriving at the most ethical action.

In the third stage, the decision-maker evaluates the ethical nature of the ends -- the outcomes, results, or consequences of his or her actions. Having passed the first two stages, the decision-maker is now forced to look at a larger picture; the first two stages were narrowly defined, but in this stage, the decision-maker is forced to consider the four duties once again, possible side effects of the actions, whether there might be better alternative actions, and whether goals are being accomplished from the actions.

In the fourth and final stage, the decision-maker moves from an internal focus to an external focus, examining outside influences that could affect the decision. The decision-maker must consider both codes of ethics (industry, professional, or company) and the intentions of top management in evaluating all aspects of the actions.

Discussion

Several propositions, yet to be empirically tested, result from the development of the model:

1. If marketing managers use the model for decision-making, the resulting decisions will be more ethical. Chewning (1984) discusses how ethics can be brought to the conscious level of the mind and interacted with internally -- that people can become more ethical.
2. If marketing top management or company top management introduce the model and stress the importance of using the model, the model will be more readily adapted. Several authors (Alderson 1964; Pruden 1971; Westing 1967) have mentioned the importance of top management involvement in setting the ethical tone of an organization.
3. If marketing managers use the model for decision-making, the resulting decisions will not only be more ethical but also aid the company's short-term and long-term success. Several authors (Cavanagh and McGovern 1988; Davis and Frederick 1984; Steiner and Steiner 1985) discuss the problems with a short-term outlook and that ethical decision-making has a greater effect than just on the one decision, the short-term, but also helps make possible long-term success.

Further Research

Just as researchers have continued in their attempt to refine the ethical behavior models, so too,one hopes, researchers in the future will work to test and refine this model of ethical decision-making. Are there yet more influences and considerations managers have to deal with in ethical decision-making?

Another area of research may lie in an analysis of the business and industries most prone to ethical lapses. Are these ethical lapses due to poor decision-making, higher concentration of ethical dilemmas, varying environmental pressures, or a combination of these factors? How do companies choose to be ethical or unethical?

Further research needs to be done on the effects codes of ethics on ethical decision-making. Researchers seem undecided on the effectiveness of industry and company codes of ethics.

A final area of future research may be in the teaching of ethics. Should a course on general ethics be taught -- and if so, at what level? Also, should individual companies have ethics seminars for new employees as part of the orientation process? Can ethics even be taught? Henderson (1988) found that education on ethics is likely to have the greatest impact on "men and women of college age -- in the most formative years of their business careers" (p. 54). Gavin (1989) concurs; he found that significant changes can occur in problem-solving skills as related to ethical issues for people aged 20 to 30.

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