Chapter 19
Marketing Ethics and Communication Strategy in the Case of Enron Fraud

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Abstract Ethical discussion in marketing is still in its nascent stage. Marketing Ethics came of age only as late as 1990s. As it is the case with business ethics in general, marketing ethics too is approached from ethical perspectives of virtue, deontology, consequentialism, pragmatism, and also from relativist positions. However, there are extremely few articles published from the perspective of twentieth or twenty-first century philosophy of ethics. One impediment in defining marketing ethics is the difficulty of pointing out the agency responsible for the practice of ethics. Competition, rivalry among the firms, lack of autonomy of the persons at different levels of marketing hierarchy, nature of the products marketed, nature of the persons to whom products are marketed, the profit margin claimed, and everything relating the marketing field does make the agency of a marketing person just a cog in the wheel. Deprived of agency, the hierarchy of marketing hardly lets one with an opportunity to autonomously decide to be ethical. Without one having agency, one is deprived of the ethical choices.

Keywords Marketing ethics • Communication strategy • Enron

19.1 Introduction

Business ethics is the behaviour that a business adheres to in its daily dealings with the world (Borgerson/Schroeder 2002). The ethics of a particular business can be diverse. They apply not only to how the business interacts with the world at large, but also to their one-on-one dealings with a single customer (Solomon 1997).

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Many businesses have gained a bad reputation just by being in business (Carr 1968, 1970). To some people, businesses are interested in making money, and that is the bottom line (Solomon 1983).

It could be called capitalism in its purest form. Making money is not wrong in itself. It is the manner in which some businesses conduct themselves that brings up the question of ethical behaviour (Solomon 1983). Good business ethics should be a part of every business. There are many factors to consider. When a company does business with another that is considered unethical, does this make the first company unethical by association (Kahneman et al. 1986; Velasquez 1983). Some people would say yes, the first business has a responsibility and it is now a link in the chain of unethical businesses (Kanungo and Mendonca 1996, p. 81).

Many global businesses, including most of the major brands that the public use, can be seen not to think too highly of good business ethics. Many major brands have been fined millions for breaking ethical business laws. Money is the major deciding factor (Kanungo and Mendoca 1996, p. 81). If a company does not adhere to business ethics and breaks the laws, they usually end up being fined. Many companies have broken anti-trust, ethical, and environmental laws and received fines worth millions (Velasquez 1983). The problem is that the amount of money these companies are making outweighs the fines (Solomon 1983). The profits blind the companies to their lack of business ethics and the money sign wins.

19.2 Business Ethics

A business may be a multi-million seller, but does it use good business ethics and do people care? There are popular soft drinks, fast food restaurants, and petroleum agencies that have been fined time and time again for unethical behaviour (Harwood 1996). Business ethics should eliminate exploitation, from the sweatshop children who are making sneakers to the coffee serving staff who are being ripped off in wages. Business ethics can be applied to everything from the trees cut down to make the paper that a business sells to the ramifications of importing coffee from certain countries (Aiken 1991).

In the end, it may be up to the public to make sure that a company adheres to correct business ethics. If the company is making large amounts of money, they may not wish to pay too close attention to their ethical behaviour. There are many companies that pride themselves in their correct business ethics (Stark 1993). But in this competitive world, they are becoming very few and far between. In the increasingly conscience-focused marketplaces of the twenty-first century, the demand for more ethical business processes and actions (known as ethicism) is increasing. Simultaneously, pressure is applied on industry to improve business ethics through new public initiatives and laws. Businesses can often attain short-term gains by acting in an unethical fashion; however, such behaviours tend to

undermine the economy over time. Business ethics can be both a normative[1] and a descriptive discipline. To some extent society regards this as acceptable, but where is the ethical line to be drawn?

[1]Normative ethics is the branch of philosophical ethics that investigates the set of questions that arise when we think about the question "how ought one act, morally speaking?" Normative ethics is distinct from meta-ethics because it examines standards for the rightness and wrongness of actions, while meta-ethics studies the meaning of moral language and the metaphysics of moral facts. Normative ethics is also distinct from descriptive ethics, as the latter is an empirical investigation of people's moral beliefs. To put it another way, descriptive ethics rate practice and a career specialization, the field is primarily normative. In academia descriptive approaches are also taken. The range and quantity of business ethical issues reflects the degree to which business is perceived to would be concerned with determining what proportion of people believe that killing is always wrong, while normative ethics is concerned with whether it is correct to hold such a belief. Hence, normative ethics is sometimes said to be prescriptive, rather than descriptive.

However, on certain versions of the meta-ethical view called moral realism, moral facts are both descriptive and prescriptive at the same time. Broadly speaking, normative ethics can be divided into the sub-disciplines of moral theory and applied ethics. In recent years the boundaries between these sub-disciplines have increasingly been dissolving as moral theorists become more interested in applied problems and applied ethics is becoming more profoundly philosophically informed. Traditional moral theories were concerned with finding moral principles which allow one to determine whether an action is right or wrong. Classical theories in this vein include utilitarianism, Kantianism, and some forms of contractarianism. These theories offered an overarching moral principle to which one could appeal in resolving difficult moral decisions.

In the twentieth century, moral theories became more complex and were no longer concerned solely with rightness and wrongness, but were interested in many different kinds of moral status. This trend may have begun in 1930 with W. D. Ross in his book, "The Right and the Good". Here Ross argues that moral theories cannot say in general whether an action is right or wrong but only whether it tends to be right or wrong according to a certain kind of moral duty such as beneficence, fidelity, or justice (he called this concept of partial rightness prima facie duty). Subsequently, philosophers have questioned whether even prima facie duties can be articulated at a theoretical level, and some philosophers have urged a turn away from general theorizing altogether, while others have defended theory on the grounds that it need not be perfect in order to capture important moral insight. In the middle of the century there was a long hiatus in the development of normative ethics during which philosophers largely turned away from normative questions towards meta-ethics.

Even those philosophers during this period who maintained an interest in prescriptive morality, such as R. M. Hare, attempted to arrive at normative conclusions via meta-ethical reflection. This focus on meta-ethics was in part caused by the intense linguistic turn in analytic philosophy and in part by the pervasiveness of logical positivism. In 1971, John Rawls bucked the trend against normative theory in publishing A Theory of Justice. This work was revolutionary, in part because it paid almost no attention to meta-ethics and instead pursued moral arguments directly. In the wake of A Theory of Justice and other major works of normative theory published in the 1970s, the field has witnessed an extraordinary Renaissance that continues to the present day.

19.3 Marketing Ethics

Marketing ethics overlaps strongly with media ethics, because marketing makes heavy use of media. However, media ethics is a much larger topic and extends outside business ethics. Marketing ethics is a subset of business ethics. Ethics in marketing deals with the principles, values, and/or ideals by which marketers (and marketing institutions) ought to act. Marketing ethics too, like its parent discipline, is a contested terrain. Discussions of marketing ethics are focused around two major concerns: one is the concern from political philosophy and the other is from the transaction-focused business practice. On the one side, following ideologists like Milton Friedman and Ayn Rand, it is argued that the only ethics in marketing is maximizing profit for the shareholder.

On the other side, it is argued that market is responsible to the consumers and other proximate as well as remote stakeholders as much as, if not less, it is responsible to its shareholders (Jones et al. 2005, p. 3; Murphy 2002, pp. 168–169). The ethical prudence of targeting vulnerable sections for consumption of redundant or dangerous products/services, being transparent about the source of labour (child labour, sweatshop labour, and fair labour remuneration), declaration regarding fair treatment and fair pay to the employees, being fair and transparent about the environmental risks, the ethical issues of productor service transparency (being transparent about the ingredients used in the product/service (Murphey et al. 2007), use of genetically modified organisms, content, "source code" in the case of software), appropriate labelling, the ethics of declaration of the risks in using the product/service (health risks, financial risks, security risks, etc.), product/service safety and liability, respect for stakeholder privacy and autonomy, the issues of outsmarting rival business through unethical business tactics, etc., advertising truthfulness and honesty, fairness in pricing and distribution, and forthrightness in selling, etc., are few among the issues debated among people concerned about ethics of marketing practice. Marketing ethics is not restricted to the field of marketing alone, rather its influence spread across all fields of life and most importantly construction of "socially salient identities for people" and "affect some people's morally significant perceptions of and interactions with other people, and if they can contribute to those perceptions or interactions going seriously wrong, these activities have bearing on fundamental ethical questions". Marketing, especially its visual communication, it is observed, serve as an instrument of epistemic closure (Borgerson and Schroeder 2008, p. 89).

19.4 Corporate Social Responsibility

19.4.1 General Remarks on Corporate Social Responsibility

One of an organization's primary goals is its obligation to operate in a socially responsible manner (Velentzas and Broni 2014). Therefore, the recognition that the vast power of the modern corporation carries with it an equally large responsibility to use that power responsibly is an important message for managers. Here, we examine corporate social responsibility and the related area of managerial ethics. Corporate social responsibility has been a topic of academic study for several decades. Numerous studies have tried to arrive at consensus definition of social responsibility but have failed to do so. Although it difficult to present definition of social responsibility, much of the research attempts to identify various kinds of socially responsive activities, present the list of these activities to the business manager, and then measure and frequency of response to which the activities are practiced by those agencies or people being questioned. Moreover, the concept of social responsibility is a continually evolving concept and means different things to different people (Stange 1994, p. 461).

Corporate social responsibility (CSR) can be defined as the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time. The concept of corporate social responsibility means that organizations have moral, ethical, and philanthropic responsibilities in addition to their responsibilities to earn a fair return for investors and comply with the law. A traditional view of the corporation suggests that its primary, if not sole, responsibility is to its owners, or stockholders. However, CSR requires organizations to adopt a broader view of its responsibilities that includes not only stockholders, but many other constituencies as well, including employees, suppliers, customers, the local community (local self-government), state government, environmental groups, and other special interest groups (Viswesveran et al. 1998). Collectively, the various groups affected by the actions of an organization are called "stakeholders".

The stakeholder concept is discussed more fully in a later section. Corporate social responsibility is related to, but not identical with, business ethics. The economic responsibilities refer to society's expectation that organizations will produce goods and services that are needed and desired by customers and sell those goods and services at a reasonable price (McWilliams and Siegel 2001). Organizations are expected to be efficient, profitable, and to keep shareholder interests in mind. The legal responsibilities relate to the expectation that organizations will comply with the laws set down by society to govern competition in the marketplace. Organizations have thousands of legal responsibilities governing almost every aspect of their operations, including consumer and product laws, environmental laws, and employment laws.

The ethical responsibilities concern societal expectations that go beyond the law, such as the expectation that organizations will conduct their affairs. This means that organizations are not only expected to do more than just comply with the law, but also make proactive efforts to anticipate and meet the norms of society even if those norms are not formally enacted in law. Finally, the discretionary responsibilities of corporations refer to society's expectation that organizations to be good citizens. This may involve such things as philanthropic support of programs benefiting a community or the nation. It may also involve donating employee expertise and time to worthy causes. Corporate policy should state clearly, illegal actions in any form will not be condoned or tolerated by the company. Much of the battle that goes between government, business, and society is a result of the conflict between their different views on economic and social responsibility goals. Today, business cannot operate without contact and interaction with the government and its myriad of rules and regulations. The managers of the corporation must take responsibility to fulfil their duties to their stockholders and to the public (Broni 2010) at large by extending themselves further by making more personal contact among employees, business management, the academic community, and political groups.

This in turn will permit corporate leaders to become influential in political affairs to an extent never before realized (Velentzas and Broni 2010a, b, c). The most convenient way to explore this approach is to consider the supra-legal moral principles that philosophers commonly offer. Five fairly broad moral principles suggested by philosophers are as follows.

19.5 The Case of Enron Fraud

The case of Enron is an important example of using communication strategies to create a virtual profile. The Enron Company was founded in July 1985 by Kenneth Lay and was a result of the merger Houston Gas and Internoth based in Houston, Texas. It started as a local energy company (natural gas). In 1995, executives were determined to make the top Enron energy company worldwide. It expanded in the European energy market, the electricity sector, and the field of communication by providing high quality broadband services and applications. The Kenneth Lay adopted its aggressive growth strategy in order to become a world-renowned company and scope and the ball.

The company Enron was the seventh largest company in America. In 2000 it was elected for the sixth consecutive year by Fortune magazine as the most innovative company in America as it was considered a model new economy. The profits of the company in 2000 reached US $ 101 billion while the business is spread across 40 countries. The staff was 21 000 employees of whom nine thousands in Europe.

19.5.1 Founding Members and Top Executives

It is very important to refer to the personalities of top executives of the company to grasp that led to the bankruptcy of such a great company.

The company's founder Kenneth Lay maintained a strong friendship with the Bush family and was the main contributor to the first campaign of Bush. He claimed "The Enron treats everyone with absolute integrity, we want to do business with us to believe that we are absolutely reliable".

The General Manager of the company Jeffrey Skilling described in the documentary as an intelligent, adventurous man in his life and in his business. He stated "We like the risk. Because it makes money". Something that characterizes us is to ask why.

CEO of the company Andy Fastow who created fictitious companies and sell them to banks putting as guarantor of these companies to Enron.

From the above it is understood that the company was controlled by smart people but they put as a priority in their immediate personal gain.

According to Grant (1991), the core business strategy features are three:

(a) The setting of objectives, which are long-term, simple, and acceptable,
(b) The deep understanding of the competitive environment, and
(c) The objective evaluation of the company's resources.

From the above, the Enron characteristics are in the second as the objectives of executives and the resource assessment were hypothetical.

19.5.2 Communication Strategy Before the Enron Scandal

The communication strategy of the company was such that it did not give room for doubt by journalists or analysts. The company had a holistic approach of its operational requirements that created the image of a perfect company with an excellent reputation for high returns and profits. The top executives, in press releases and interviews with traditional concepts, were leading the company to be considered novel and innovative and strains of highly intelligent and infallible. In addition to the company prevailing theory of Social Darwinism they were working only the best like scientists and communicators. In an interview Skilling said that employees had been graded between them on a scale from 1 to 5 and whoever took the worst score would be dismissed. Their energy was considered quite harsh by social media but of course no one responded and it was considered a right step in maintaining good image and reputation in such a competitive environment. Even if there were some doubt by a journalist whether the Enron overrated, o Kenneth Lay reassured investors saying: "It is hard to show the world of capital movement especially in

terms of sales. The article was published because there is competition between journals. The criticism is ridiculous". Finally the representatives of the company and its managers proudly declared that the primary objective of the company is the desire to achieve a profit and that there are no unattainable goals for them.

19.5.3 The Reality

But what happened in reality was far from the image promoted by the company. The Enron was using several front companies in which it gave deficits and debts, to show inflated results. The aim of this falsification of balance sheets was to increase the share and to grow the market value of the company. In most cases, the business strategy is not the result of a planned and rational process but emerges as a compromise (Leandros 2008, p. 41).

The company took high risk to be managed to survive. These risks were leading to unethical acts by employees at all levels. The company was involved in fraud associations with unexplained blackouts in California to put pressure on the government to release electricity. Then they could manipulate the prices and increase the price of electricity for the benefit of Enron. When someone asked Skilling for the involvement in the California case he said "we are angels". Overcharging of profits and shares, speculation and the big lies of executives led to distorted information and disorientation and confusion efforts. Under these conditions, people experiencing cognitive limits on their ability to achieve their purposes had no perfect knowledge" (Leandros 2008, p. 41). It is obvious that greed and profiteering that took place in the company at some point led to disaster.

19.5.4 The Descent

In August 2001 Skilling declares resignation for personal reasons and later claimed that "On the day I left I believed that the company had good economic situation".

The Audit-Accounting Andersen company which was responsible for the financial control of Enron, a few days before the Enron announced its bankruptcy, sought the destruction of tons of documents related to the audit of the company.

Simultaneously Lay reassured investors: "The business has very strong bases. The investigation will take a long time compared with our accountants and lawyers but ultimately these issues will expire. Despite the rumours, despite speculation the company is doing well, financially and operationally". They convinced the lenders about the creditworthiness of the company to report impressive financial statements and to conceal debts of $ 3.9 billion for the period 1992–2001.

On December 2 of 2001 the company filed for bankruptcy and laid off all employees with employee compensation $ 4500 while the big executives got bonus.

19.5.5 Communication Strategy After the Enron Scandal

Enron Communication strategy was very different after the scandal for financial fraud company. In times of crises, operators must assume their responsibilities, to avoid making excuses and face problems with realism, responsibility, and honesty.

Lay said "The Enron collapse is a huge tragedy. In such a company existed many executives who had great power and enjoyed extreme confidence. We grieve for the loss of the company".

Skilling argues: "The Enron destroyed by massive withdrawals in banks". Communication strategy which followed before and after the scandal is far different from the proper business communication strategy. Unfortunately, in our time, the occasional profit prevails so as the fictional image of the individual to society. A company that aims to increase the profit is not very different from an immoral man who exploits others to promote and enrich. To avoid future similar financial scams we must change the orientation and philosophy of the individual and then the ethics of business.

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