Business Ethics: A Literature Review with a Focus on Marketing Ethics

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ABSTRACT. In recent years, the business ethics literature has exploded in both volume and importance. Because of the sheer volume and diversity of this literature, a review article was deemed necessary to provide focus and clarity to the area. The present paper reviews the literature on business ethics with a special focus in marketing ethics. The literature is divided into normative and empirical sections, with more emphasis given to the latter. Even though the majority of the articles deal with the American reality, most of the knowledge gained is easily transferable to other nations.

The ethical sensitivity of all professionals — lawyers, physicians, educators, and business executives — has come under close scrutiny in recent years. Post-Watergate morality has dictated that the past level of ethics exhibited by professionals is no longer adequate and perhaps never was. This renewed ethical concern represents the recurrence of an established issue: the lack of ethical behavior exhibited by many persons in positions of responsibility.

New articles appear almost daily in newspapers stating that another company has come under investigation by the Justice Department for illegal activities such as illegal campaign contributions, bribes to foreign countries, insider trading, etc. In response to these pronouncements, policy statements on business ethics have poured forth from corporations, recognizing the apparent fact that some of this country's most distinguished executives do not care how results are obtained, even if it means breaking the law.

In addition, Frederick (1986) argues that the social environment is bound to become more turbulent and disorderly. Scott and Mitchell (1985) underscore that claim with their concern over widespread corruption. Scott and Mitchell refer to the plethora of articles reporting such managerial excesses as exhorbitant bonuses, golden parachutes, "greenmail", ego-motivated takeover wars, and even fraud.

The most scathing indictment on the state of corporate ethics was voiced by Amitai Etzioni who concluded that in the past decade, two-thirds of the 500 largest U.S. corporations have been involved in varying degrees in some form of illegal behavior (Gellerman, 1986).

However, the majority of situations that business people face today do not involve strictly legal matters. Instead they must make judgments concerning what is "right" or ethical to do. It is one of the tasks of ethics to distinguish between ethical and unethical business practices. The task of determining what is ethical or not is not easy. Kenneth Andrews once said, "if it's black and white, and a man has normal courage and security, he'll say no. It's in the gray areas that the businessman may more likely flounder."

Johnson (1981) argues that "most business decisions involve choices between two or more goods or two undesirable options." A related challenge to ethical decision making is that sometimes good and evil seem to be joint products. In other words, a desirable result is accompanied by a negative one. An example of this is the pollution and exhaustion of

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resources which often accompanies high standards of living and technology.

Within the business firm, the functional area most closely related to ethical abuse is marketing. This is because marketing is the function of business charged with communicating and openly satisfying customers. Thus, marketing is closest to the public view and, consequently, is subject to considerable societal analysis and scrutiny (Murphy and Laczniak, 1981).

This paper will review the literature on business ethics with a special focus in marketing ethics. In addition, the majority of the reviewed literature has an American perspective. For an excellent collection of articles dealing with business ethics in Canada see Poff and Waluchow (1987). However, before proceeding any further it is necessary to: (1) define ethics, and (2) present the various philosophical normative theories of ethics.

Definition of ethics

"Unethical" acts were committed throughout history. Christianity has Adam eating the forbidden fruit, Cain murdering his brother. The majority of the ancient Greek philosophers devoted much of their time to developing theories of ethics. The early theories studied ethics from a normative perspective, meaning that they were concerned with "constructing and justifying the moral standards and codes that one ought to follow" (Vitell, 1986). On the other side, a positive perspective of ethics attempts to describe and explain how individuals actually behave in ethical situations.

One of the major preoccupations of ethical theorists was to create a definition of ethics. As with the majority of concepts, ethics was defined differently by different theorists.

Beauchamp and Bowie (1983, p. 3) define ethics as the "inquiry into theories of what is good and evil and into what is right and wrong, and thus is inquiry into what we ought and ought not to do." Similarly, Runes (1964, pp. 98–100) states that "ethical behavior refers to 'just' or 'right' standards of behavior between parties in a situation." On the same line, Barry (1979) defines ethics as "the study of what constitutes good and bad human conduct, including related actions and values."

Ethics, according to DeGeorge (1982, pp. 13–15), is the study of morality. DeGeorge argues that:

> Morality is a term used to cover those practices and activities that are considered importantly right and wrong, the rules which govern those activities, and the values that are imbedded, fostered, or pursued by those activities and practices. The morality of a society is related to its mores or the customs accepted by a society or group as being the right and wrong ways to act, as well as to the laws of a society which add legal prohibitions and sanctions to many activities considered to be immoral.

Similarly, Taylor (1975, p. 1) defines ethics as an "inquiry into the nature and grounds of morality," where morality means "moral judgments, standards, and rules of conduct." Vitell (1986) applied Taylor's definition to define marketing ethics as "an inquiry into the nature and grounds of moral judgments, standards, and rules of conduct relating to marketing decisions and marketing situations."

From the above definitions of ethics, we see that the term ethics is used interchangeably with morals. Although this usage is acceptable, it is more accurate to restrict the terms morals and morality to the conduct itself. The terms ethics and ethical refer to the study of moral conduct or to the code one follows.

For an extensive treatment of "business ethics" definitions see Lewis (1985).

Philosophical normative ethical theories

Recognizing that the number of these theories is quite significant, only the ethical theories most commonly refered to in the business literature will be presented.

The ethical theories are usually divided into three groups: (1) consequential theories — those that deal exclusively with the consequences of an action; (2) single-rule nonconsequential — those that deal with a single rule; and (3) multiple-rule nonconsequential — those that deal with multiple rules. Some philosophers call the first group teleological, while group two they call deontological. Group three is a hybrid of both teleological and deontological theories.

Cavanagh *et al.* (1981) divided the theories of ethics into three categories: (1) utilitarian theories —

evaluating behavior in terms of their consequences; (2) theories of rights – emphasizing the entitlements or rights of individuals, including the right to free consent, the right to privacy, the right to freedom of conscience, the right to free speech, and the right to due process; (3) theories of justice – focusing on the distributional effects of actions.

Consequential theories

Traditionally, many theorists contend that the moral rightness of an action can be determined by looking at its consequences. If the consequences are good, the act is ethical; if bad, the act is unethical. In other words, an ethical act is one that produces at least as great a ratio of good to evil as any other course. An obvious question arises in regard to the consequences. In deciding what to do should we consider the consequences only to oneself? Or should one consider them with respect to everyone involved? That decision hinges on the two main consequential theories – egoism and utilitarianism.

Egoism. Egoism contends that an act is ethical when it promotes the individual's best long-term interests. If an action produces a greater ratio of good to evil for the individual in the long run than any other alternative, then that action is ethical. A major misconception is that all egoists are exponents of hedonism – the view that only pleasure is good in itself and worth seeking. True, some egoists are hedonistic, as was the ancient Greek philosopher Epicurus. But other egoists identify the good with knowledge, rational self-interest and self-actualization.

Among the weaknesses of ethical egoism are: (a) ethical egoism would take no stand against even the most blatant business practices, e.g. discrimination, pollution, unsafe products, etc., and (b) egoism cannot resolve conflicts of egoistic interests among two individuals.

Utilitarianism. Utilitarianism asserts that we should always act so as to produce the greatest ratio of good to evil for everyone. It emphasizes the best interest of everyone involved with the action. As originally formulated by notable reformers Jeremy Bentham and John Stuart Mill, utilitarianism has been associated with reform or social improvement.

Utilitarianism argues that if it were possible to accurately calculate pleasure and pain, we would subtract the total unhappiness from the total happiness our action would produce, and choose the action which produces the greatest net happiness. While all utilitarians agree on the principle of greatest net utility, they disagree on how this principle should be applied. Some utilitarians would apply it to the act itself; others, to the rule the act falls under. Thus we get act utilitarians and rule utilitarians.

Act utilitarianism maintains that the right act is the one that produces the greatest ratio of good to evil for all concerned. On the other side, rule utilitarians ask us to determine the worth of the rule under which an action falls. If keeping the rule produces more total good than breaking it, we should keep it.

Act utilitarianism has provided the basis for an ethical position termed situational ethics proposed by Joseph Fletcher. Fletcher (1966) advocates acting in a way that produces the most "Christian love", that is, the greatest amount of love fulfillment and benevolence. For Fletcher it is crucial when making moral decisions to be fully aware of all the facts surrounding the case, as well as the probable consequences of each alternative. But he also argues that after all calculations have been completed, one must choose the act that will best serve "love" as defined in the Christian tradition.

Fletcher views situational ethics as one of three primary avenues for making moral decisions. The other two are: (a) the legalistic, which contends that moral rules are absolute laws that must always be obeyed; and (b) the antinomian, which contends that no guidelines exist, that each situation is unique and requires a new decision.

Among the weaknesses of utilitarianism are: (a) it seems to ignore actions that are wrong in themselves – with utilitarianism the ends justify the means which sometimes can be unethical; and (b) the principle of utility may come into conflict with that of justice.

The views of utilitarianism seem to come out of the writings of Douglas Sherwin. Sherwin (1983) asks the question "what does it mean to be an ethical business person?" In order to answer that question he presented business as being a system of interdependent members that can thrive only when all its members are given equal emphasis. So, "to act ethically a manager has to ensure that the owners, employees, and customers all share fairly in the business's gain."

Sherwin also argues that the American society has purposefully left a place for business among its institutions to secure economic performance in the production and distribution of goods and services. It follows that business leaders have the responsibility to try to deliver the benefits society seeks through this strategy. The values that govern their behavior must therefore be grounded in this purpose, must implement it, and must be constrained by it. Sherwin seems to argue that a business person is behaving ethically if he/she behaves according to the society's best interest. His view seems to correspond with the view of utilitarianism.

Single-rule nonconsequential theories

Whereas consequential theories argue that we should consider the consequences of an action in evaluating its morality, nonconsequential theories contend that we should consider other factors. Some such theories have even argued that we should not consider consequences at all. One such theory found considerable acceptance in business: the Golden Rule.

Golden rule. In modern culture, the Golden Rule is most commonly interpreted as, "Do unto others as you'd have them do unto you." It commands us to treat others the way we would want to be treated. The other single-rule nonconsequential theory is credited to Kant (1959).

Kant's categorical imperative. Kant's ethical theory stands as the premier illustration of a purely deontological theory, one that attempts to exclude a consideration of consequences in ethical decision making. To understand Kant's theory one should grasp the concept of "good will" or, in a loose interpretation, good intentions. Contained in good will is the concept of duty. Only when we act from duty do our actions have moral worth. Still we are left wondering what duties we have and how we can know them. Kant believes that through reason alone we could arrive at a moral law, based not on religion like the Golden Rule, nor on empirical evidence relating to consequences as in utilitarianism. If we arrive at such a law, it would oblige everyone without exception to follow it. Kant believes that he formulated such a law in his "categorical imperative." Kant's categorical imperative says that we should act in such a way that we could wish the maxim or principle of our action to become a universal law.

Multiple-rule nonconsequential theories

Unlike single-rule nonconsequential theories, some nonconsequential theories, while relying on factors other than consequences in determining the morality of an action, appeal not to one rule, but several. Three such theories deserve special attention.

Ross's prima facie duties. Ross's theory is seen as an attempt to join aspects of utilitarianism with those of Kantianism. Ross (1939) believes that it is necessary to introduce consequences into ethical decision making while insisting that consequences alone do not make an act right. Ross contends that there are duties or obligations which bind us morally. In any ethical decision, we should weigh options with respect to the duties involved, and from the alternatives determine the duty that is most obligatory. So, an act may fall under a number of duties. For example, a business person may have the duty to maximize profits and, at the same time, be obliged to refrain from injuring people. The problem here lies in choosing the most obligatory duty.

To solve this problem Ross proposes "prima facie duties." The term prima facie means "at first sight" or "on the surface." By prima facie duties, Ross means the duties that at first sight dictate what we should do when other moral factors are not considered. In other words, a prima facie duty is one we recognize at first sight as being obligatory when all other things are equal and when there are no conflicting duties.

Ross presents six main categories of prima facie duties:

1. Duties of fidelity – included are the duty not

to lie, the duty to remain faithful to contracts, and the duty to keep promises.
2. Duties of gratitude.
3. Duties of justice.
4. Duties of beneficence – those that rely on the fact that there are other people in the world whose happiness we can improve
5. Duties of self-improvement.
6. Duties of noninjury.

Rawl's maximin principle of justice. Rawls (1971) proposes a theory of ethics that tries to use the strengths of consequential and nonconsequential ethics while avoiding their pitfalls. Rawls proposes two principles to ensure justice: the equal liberty principle and the difference principle. By equality Rawls means the impartial and equitable administration and application of rules which define a practice. In other words, each person participating in a practice or affected by it should have an equal right to the greatest amount of liberty that is compatible with a like liberty for all.

Crucial to any theory of social justice is the determination of when inequality is permissible. After all, a just society is not one in which all are equal, but one in which inequalities are justifiable. Rawls addresses this problem with his difference principle. The difference principle defines what kinds of inequalities are permissible. It specifies under what conditions the equal liberty principle may be violated.

Garrett's principle of proportionality. According to Garrett (1966), any moral decision involves three elements: what we intend, how we carry out the intention, and what happens (or intention, means, and end). We have seen that consequentialists are primarily concerned with the end of an action, whereas nonconsequentialists generally put more emphasis on the intention behind it (as in Kant's case) or on one or more characteristics of the means itself. In the proportionality principle, Garrett brings together intention, means, and end to form a synthesis. Garrett's principle of proportionality states:

> I am responsible for whatever I will as a means or an end. If both the means and the end I am willing are good in and of themselves, I may ethically permit or risk the foreseen but unwilled side effects if, and only if, I have a proportionate reason for doing so (Garrett, 1966, p. 8).

Ethical relativism. Protagoras, a Greek philosopher who lived in the fifth century B.C., seems to have believed two things: first, that moral principles cannot be shown to be valid for everybody; and second, that people ought to follow the conventions of their own group.

Protagoras's views can be classified as forms of ethical relativism. The term "ethical relativism," however, is used in different senses. Sometimes one is said to be a relativist if he thinks that an action that is wrong in one place might not be in another. If relativism is used in this sense, then practically everyone is a relativist, for practically everyone believes that certain circumstances make a difference to the morality of an act. Other times one is said to be a relativist if he believes: (a) that different social groups sometimes have different values and ethical opinions, and (b) an individual's values are near-replicas of the values of his group.

The previous ethical theories have been accused of "ethical absolutism" because they suggested that there is only one true ethical code. Robin (1980) argues that an extreme version of ethical relativism "takes the position that, since there are two sides to every moral dilemma, and since every individual is entitled to their own system of values, neither side is more correct than the other."

This extreme position would not be very helpful to marketers faced with important ethical decisions. A more moderate version of ethical relativism is presented excellently by Robin:

> According to the philosophy of ethical relativism, limited moral principles are open-ended in several respects. These philosophers believe that there are no moral principles which constitute a complete solution for every moral circumstance. They believe that there can be no resolution of a moral problem which is equally satisfactory for all people or for all time. They also believe that circumstances are constantly changing in important respects and that these changing circumstances produce the need for constant reevaluation of basic values and moral principles. Thus, moral decisions are always tentative and risky, but they are also constantly necessary. It is apparently true that societies throughout the world and over time have always held people responsible for their actions. In addition to being held responsible by others, the individual must constantly answer to his severest critic – his own conscience. . . . Under the ethical relativist's philosophy, no theoretical

work can provide complete and concise advice on specific decisions. At best, it can explain the means for making moral decisions and suggest the methods that are involved (p. 142).

The major implication of ethical relativism is that all moral norms are relative to particular cultures. The rules of conduct that are applicable in one society do not apply to the actions of people in another society. Each community has its own norms, and morality is entirely a matter of conforming to the standards and rules accepted in one's own culture. To put it simply: What is right is what my society approves of; what is wrong is what my society disapproves of.

LITERATURE REVIEW

Direct concern for business ethics appeared strongly during the 1920s. The business literature of that period contains many titles dealing with ethics per se, such as "Adventures on the Borderlands of Ethics," "The Ancient Greeks and the Evolution of Standards in Business," and "Book of Business Standards."

Since the 1920s the literature in marketing and business ethics has grown even more voluminous and diversified. The extensiveness of this literature is best demonstrated by the review article by Murphy and Laczniac (1981), which has over 100 references relating to marketing and business ethics, the *Bibliography of Business Ethics* by Jones and Troy (1982), and the creation of two journals dealing with the subject of business ethics (the *Journal of Business Ethics*, and the *Business and Professional Ethics Journal*). In addition, Dr. Kenneth Bond has published the 4th edition of his *Bibliography of Business Ethics and Business Moral Values*. Dr. Bond's bibliography contains approximately 2500 journal and text citations; in addition to annotated audio-visual citations, lists of active journals, and other bibliographies.

In order to present this literature, Murphy and Laczniac divided it into specific areas such as marketing research ethics, advertising ethics, marketing education ethics, and others.

DeGeorge (1982, pp. 12—15) divides ethical study into three related phases: normative ethics, descriptive ethics, and metaethics. The three constitute what DeGeorge calls general ethics, as opposed to special ethics.

Normative ethics seeks to uncover, develop, and justify the basic principle or the basic values of a moral system. Descriptive ethics is concerned with studying and describing the morality of people, culture, or society. It also compares and contrasts different moral systems, codes, practices, beliefs, principles and values. Metaethics analyzes moral reasoning. It is concerned with the formal language system of normative ethics and especially the meaning of terms. Relatively little published work in marketing addresses this particular stream of marketing ethics.

Special ethics applies general ethics: first, to solve particular problems, and second, to investigate the morality of specialized areas of human endeavor. This yields business ethics, engineering ethics, professional ethics, social ethics, and so on. Business ethics also has a descriptive, normative and metaethical aspect. In most cases, it is difficult to decide whether an issue is one of general ethics raised by a business problem or an issue that is particular to business ethics itself. But since the division between the two is rough and not exact, the question of whether or not an issue is one of general or business ethics needs seldomly to be decided.

Another way to categorize the literature is presented by Vitell (1986). Vitell divides the literature into two broad categories: (1) normative literature, and (2) positive literature. The normative literature includes articles of a general nature that are primarily concerned with what managers "ought to do." This includes: (a) present decision models which managers can apply in situations that have ethical content, (b) a set of guidelines for managers to follow in such situations, and (c) articles that relate to a specific area of marketing such as marketing research, advertising, or marketing education.

The positive or empirical literature, on the other hand, includes articles that survey what certain groups of people consider as ethical or unethical conduct. Such groups include business and marketing executives, business students, consumers and others. These surveys either use direct questions on the ethicality of an act or specific scenarios having ethical content.

Normative literature

The normative literature includes articles of a general nature which are primarily concerned with what managers "ought to do" when confronted with an ethical dilemma.

This literature is further divided into: (A) ethical codes or guidelines for managers to follow in situations that have ethical content, (B) normative decision models that managers can apply in such situations, (C) articles that relate to a specific area of marketing such as marketing research, advertising, or marketing education, and (D) articles about ethical abuses in marketing. (However, out of a necessity for clarity of presentation some empirical articles will be presented in the normative section and vice versa).

A. *Ethical codes*

Several approaches have been suggested for attaining high ethical standards in business. One is a return to common sense, reason, and religion to discourage seeking personal gain at the expense of the common good (Byron, 1977). Other suggestions include codes of ethics, government regulation, and corporate models of ethical behavior (Berkman, 1977; Boling, 1978; Kramer, 1977; Allen, 1977).

Codes of conduct is one of the most pervasive responses used by the business community as a way to improve ethical conduct. In the last decade, most major corporations have introduced some form of written code of ethics (Lewin, 1983). White and Montgomery's (1980) survey of CEOs in major corporations revealed that almost all of the large firms, about 75 percent of the medium-sized firms, and about 50 percent of the smaller companies have a code of ethical conduct. Written codes of ethics are also used by nine out of ten state governments (Hays and Gleissner, 1980).

An early effort in developing operational guidelines for marketing managers when faced with ethical decisions is presented by Patterson (1966). Patterson attempts to answer the question "what workable guides are available to help a marketing executive to evaluate alternative courses of action in a specific concrete situation?" (p. 12). These ethical guidelines are necessary because of the market power that companies hold. If this power is not used in a wise and ethical way, the government might be forced to intervene and curtail this power. Patterson contends that these guidelines can not generally be taken from ethical theory, law, or political science, because generally these guidelines were too abstract to be applied to the specific dilemmas that decision makers face. He proposes the appointment of Customer Review Boards which could consider and react to most proposed marketing decisions.

Purcell (1977) argues that "good ethics is good business in the long run," even though he admits that this is not always true in the short run. But however difficult the trade-off is, ethics must prevail if the free market system is to survive. He endorses the implementation of ethical codes by several professional associations, but stresses that ethical codes are not a panacea, even when they can be enforced on association members, something not too common. Purcell goes as far as to propose the institutionalization of ethics at the top management by appointing a corporate officer to be the corporation's ethical 'devil's advocate,' or better yet an 'angel's advocate.' This ethical advocacy idea, however, received mostly negative feedback by top management executives.

The term "institutionalizing ethics" simply means incorporating ethics formally and explicitly into daily business life, and making it a regular and normal part of business. It means including ethics into company policy making at the board and top management levels and, through a formal code, integrating ethics into all daily decision making and work practices for all employees. According to Weber (1981), a corporation may institutionalize ethics by three principal methods: (1) a company policy or code of ethics, (2) a formally designated ethics committee on the board of directors, and (3) a management development program that incorporates ethics into its curriculum. Weber found that 67% of the firms he surveyed had ethics codes, and about 6% had ethics board committees. Management development programs concerned, however, with ethics were rare. Weber understands that each corporation is unique and so should adjust each of the above methods to its environment and size.

In a survey of *Fortune* 1000 industrial and service corporations, the Center for Business Ethics (1986) reveals that corporations are beginning to take steps to institutionalize ethics. However, they recognize that in most cases additional mechanisms and strategies are needed to make their ethics efforts more effective, including ethics committees, judiciary boards, ethics training, and even changes in corporate structure.

Hite *et al.* (1988) performed a content analysis of ethical policy statements regarding marketing activities. Their results show that the topics covered most often are: misuse of funds/improper accounting, conflicts of interest, political contributions, and confidential information.

Gossett (1975) suggests that corporate legal counsel is uniquely situated and prepared to act as an arbitrer to social conflict between the corporation and society and also to lend "a deep sense of personal morality to this task." Similarly, Erteszek (1975) states that:

> the chief executive could use a man with knowledge in this area as a sounding board and as a spiritual counselor. The advisor should be a compassionate man who understands the problems and trials and tribulations of a chief executive who is often very lonely.

Steiner (1976) is also in favor of using some kind of ethical advisor or, as he calls them, "moral iconoclasts in the corporate inner sanctum." Steiner argues that the very presence of ethical advisors would bolster public confidence in the business system. Conversely, Steiner saw that this injection of ethical values into market decisions might lead businessmen to confuse their economic mission with altruistic concerns so that they fail to fulfill the basic business function of producing goods and services efficiently.

Boling (1978) agrees with Petit (1967), who declared that there was a "moral crisis in management", defined as a conflict between classical business ideology — an operational ethic which calls for profit through economic action — and managerial ideology, an ethic which stresses social responsibility. Boling argues that ethical codes are necessary to serve as the leading edge of law, because laws cannot prescribe that ethical conduct should be for everyone in all situations. These codes of ethics should be developed through the cooperation of both supervisors and subordinates. As a result, this cooperation will hopefully develop "group ethics," as opposed to "personal ethics."

Support for this principle of superiority of group ethics over personal ethics was established by Fulmer (1967). This argument conforms with Simon's (1976) theory that organization decision making can set the stage for and give direction to individual moral development.

Fritzsche and Becker (1982) argue that a set of response rules or codes which can be used by managers as a guide to action when faced with specific types of ethical problems should be developed. These rules should reflect the general values and expectations of society. The response rules should result in raising the ethical behavior of organizations over the long run via the expectations and practices of future managers as they enter the work force.

Laczniac and Udell (1979) view the future trends in marketing as presented in Figure 1. They argue that the attempts of marketers to meet the challenge of being more ethically responsible will take the following forms: (1) enhanced professionalism, (2) ethical codes, (3) ethical consultants, and (4) ethics seminars.

Robin (1980) introduces the theory of ethical relativism in the field of marketing ethics. He argues that all of the parties involved in business and society interface and look upon their value systems as absolutes. Business people in particular are acting in a way that they might consider ethical according to their own values. Society, on the other hand, has different values and views the same act as not so ethical. A solution to this problem is for business people to adapt the relativist's philosophy and recognize the right of others to have different value systems.

Based on the theory of ethical relativism, Robin proposes certain guidelines for formulating codes of behavior in marketing. First, he proposes certain guidelines for establishing boundaries for ethical codes because ethical codes "over which the concerned parties have little or no control are meaningless." Second, he discusses the primary methods for settling value differences when they occur.

Finally, on the subject of corporate ethical codes' effectiveness, Weller (1988) proposed several hypotheses that need to be addressed in future research.

Criticism of ethical codes. Murphy and Laczniak (1981) conclude that corporate codes of ethics are somewhat controversial as to their effectiveness in resolving ethical conflict. Brenner and Molander (1977) in their follow-up to Baumhart's (1961) classic study on business ethics report that respondents believed that ethical codes are limited in their ability to change

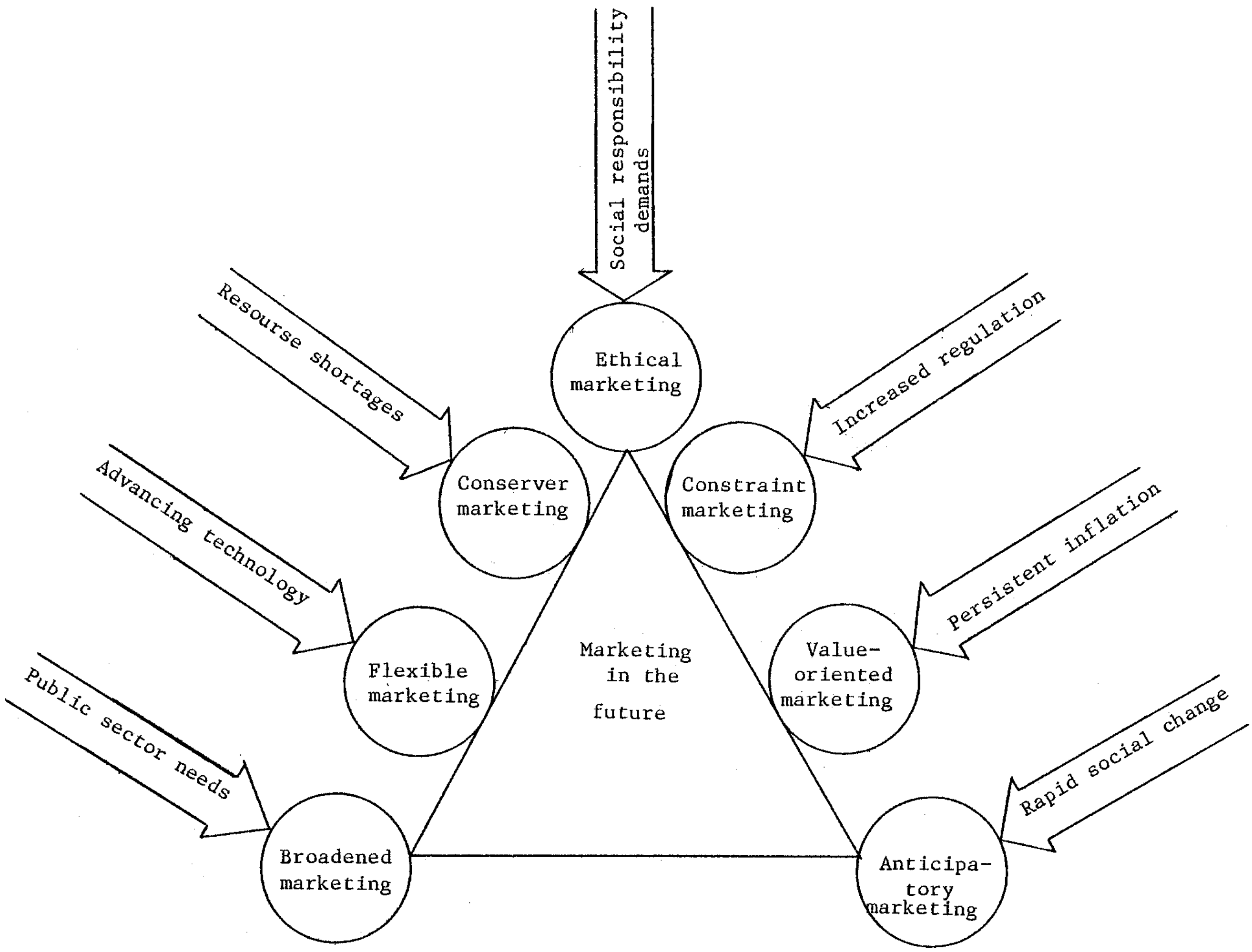

Fig. 1. Trends in marketing and the forces shaping them.

human conduct. Nevertheless, "the mere existence of a code, specific or general, can raise the ethical level of business behavior because it clarifies what is meant by ethical conduct."

Coe and Coe (1976) cite four criteria that distinguish professions from other occupations. One of these is "governance through a code of ethics and disciplinary procedures for the violation of the code of ethics" (p. 257). If these ethical codes are to be useful, they must be specific. The AMA code, as well as codes of other related professional associations, lack specificity. The AMA code is not alone in not addressing many of the important issues confronting managers. A survey conducted by the Ethics Resource Center (1979) indicated that about 75% of the responding firms had written codes of ethics, but that these too were lacking in specificity.

Codes of conduct are not likely to provide adequate guidance for future managers, at least as they are presently constituted. In a study of corporate codes of conduct, Chatov (1980) finds 14 types of behavior which were most frequently prohibited. Two-thirds of the codes appear to deal to some extent with the issues of coercion and control and conflict of interest. However, paternalism and personal integrity were totally ignored. No mention was made as to the proportion of the codes which were window dressing, relative to the codes which were incorporated into company policy.

Patterson (1966) searches for "workable guides to help a marketing executive to evaluate alternative courses of action in a specific concrete situation." The marketing executive should frame his problem in a way that he is able to solve it for himself. The approach to marketing ethics should be practical, concrete, and realistic. It should emphasize the "case" approach and not the "principles-to-solution" approach of the more traditional ethical theory.

Patterson also contends that a set of structural limitations on private power would be more effective than codes of conduct. Although competition could be an effective structural limitation on the private sector of the economy, marketing executives should attempt to forestall potential government intervention by establishing customer review boards or by surveying customers on future marketing plans.

Like Patterson, Ohmann (1962) acknowledges some value in codes of ethical behavior, but he feels that codes are subtly directed to keep "others" in line. That is, an executive might easily conclude: "I want to live up to my own high moral standards but I cannot, because of the sharp practices of others." What is needed, claims Ohmann, is an ethics of moral principles contained in the interdependent relationships of society.

Ethical codes of conduct are especially needed in the area of international business which has always been criticized for its plethora of routine unethical practices (Schollhammer, 1979 – for further discussion see 'Ethical Issues in International Marketing' later in this paper). Prasad and Rao (1981) argue that codes of ethics for international firms "require more than the public relations announcements by companies rushing to 'reemphasize a long-standing policy.' " An example of the failure of international codes of ethics was reported in the *Wall Street Journal* (February 28, 1979). According to the report, the Grumman Corporation adopted a written policy prohibiting overseas payoffs. While the board was trying to crack down on violators, the company's top managers ignored the rules against payoffs. Consequently the board established an audit committee composed entirely of outside directors. The committee issued a report revealing that company managers had: (1) circumvented the rules by camouflaging questionable payments, (2) withheld information from the board, and (3) defied orders from the company's special counsel. These acts were not confined to low-rank employees but were also performed by top ranking officials of the firm. (For additional discussion of ethical codes see marketing research ethical codes).

B. *Normative ethical decision models*

The study of ethical issues in modern organizations, argues Payne (1980), has not reached the sophistication of other behavioral science pursuits. The social science literature examining ethics and values is immense in both volume and scope. Academic disciplines such as philosophy, anthropology, sociology, psychology, and social psychology can each provide countless textbooks and myriad approaches to questions concerning ethics. There has been reluctance, however, to apply this theoretical framework to common business ethics. Payne identifies the behavioral theories of social comparison, equity, social exchange, social distance, reference group, and reinforcement as promising theories to be applied in the study of business ethics.

Bartels (1967) argues that the previous literature on ethics has emphasized subjective factors, actions, and the performer's viewpoint, rather than objective factors, interactions, and the relationships between individuals. In other words, emphasis has been given to lists of actions regarded as ethical or unethical, rather than to the determinants which place an action on the list. Bartels argues also that previous literature emphasized the absolute rather than the relative character of ethics. Once determined, the universality of ethical standards has been assumed. Bartels constructed a model for ethics in marketing. In his model, Bartels uses matrices to illustrate the complex relationships that are the basis for ethical decision making. This model attempts to answer the questions: (1) how are ethical standards set? and (2) how are ethical decisions made?

Bartels' model includes two parts: (1) Creation of ethical standards – standards derived from the culture, from various institutional processes and structures, and from the expectations nurtured among the economic participants, (2) ethical decision making – with standards having been determined, one then must select a course of action.

According to Bartels's model, cultural characteristics color all social institutions (e.g., church, government, economy). Non-economic institutions (e.g., family, church) influence the economic roles of participants in a business organization. And the interaction of economic participants (e.g., managers, employees, competitors, consumers) affects ethical standards within the economic sphere. These three matrices merely identify roles and interrelationships among participants, yet the fourth matrix determines ethical behavior in specific situations.

In these situations, the ethical decision maker is guided by the level of his "ethical sensitivity", the strength of complementary and contrasting claims, and finally in some instances by economic capacity to act.

Cavanagh *et al.* (1981) developed a decision tree which can be used for incorporating ethics into decision making. Their normative model integrates three kinds of ethical theories: utilitarianism, theories of moral rights, and theories of justice. A modified version of Cavanagh *et al.* model is presented in Figure 2. This model requires a decision to "pass" the test of all three ethical theories, unless there is an "overwhelming factor" that precludes the application of any of the three theories. An "overwhelming factor" is any situational factor that may, in a given case, justify overriding one of the three ethical criteria: utilitarian outcomes, individual rights, or distributive justice. Situations that can lead to an overwhelming factor are: conflicts between criteria, conflicts within criteria, and lack of capacity to employ the criteria.

Laczniac (1983) argues that ethical decision rules presented in the literature have been limited to the citation of simple ethical maxims. Typically these maxims include:

The Golden Rule: act in the way you would expect others to act toward you.

The Utilitarian Principle: act in a way that results in the

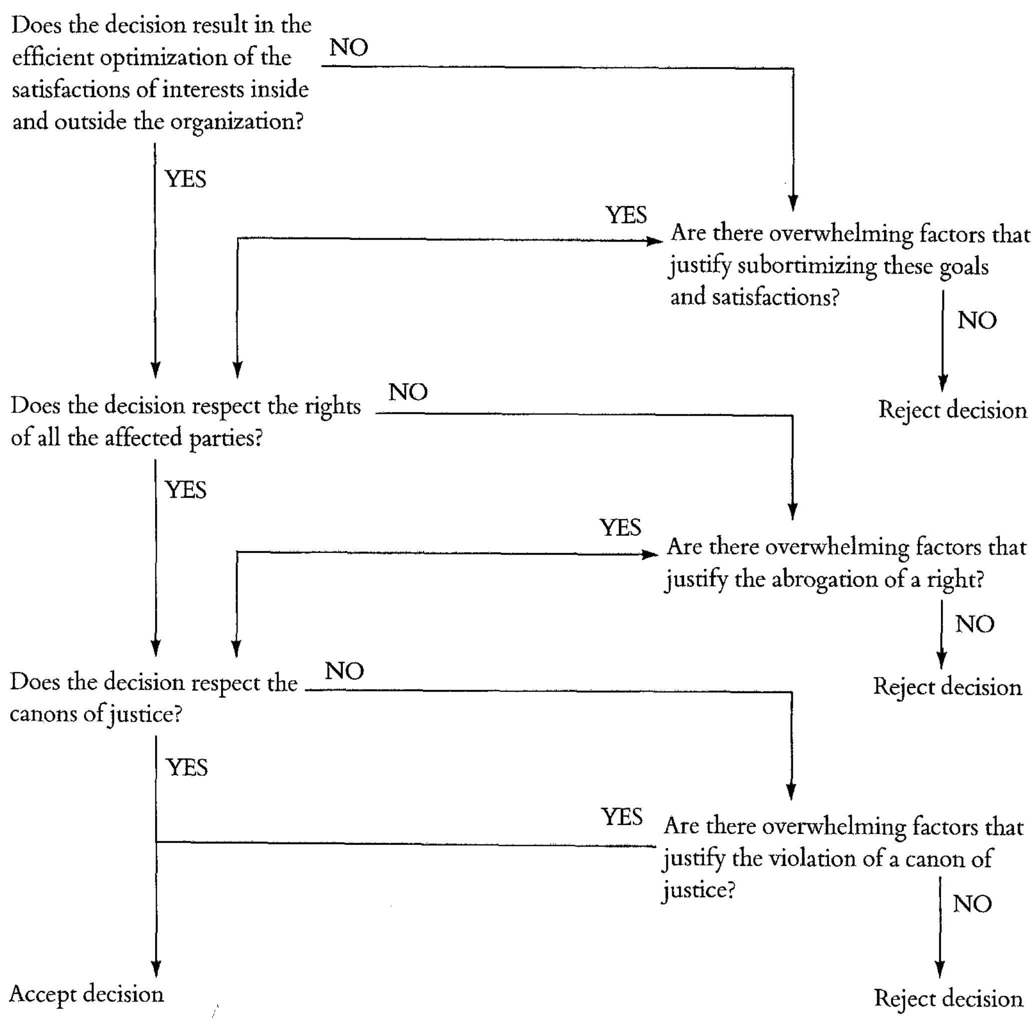

Fig. 2. A decision tree for incorporating ethics into a decision.

	greatest good for the greatest number.
Kant's Categorical Imperative:	act in such a way that the action taken under the circumstances could be a universal law or rule of behavior.
The Professional Ethic:	take only actions which 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."

Laczniac argues that these limited ethical frameworks are simplistic, lack theoretical rigor, and have hampered the ethical analysis of marketing managers. Laczniac presents a framework that includes the theories developed by Ross, Garrett, and Rawls (as presented in the introduction). Similar to Cavanagh *et al.*'s decision tree, Laczniac presents several questions which, if can be answered negatively, the action is probably ethical. These questions are:

Does action *A* violate the law?

Does action *A* violate any general moral obligations:
- duties of fidelity?
- duties of gratitude?
- duties of justice?
- duties of beneficence?
- duties of self-improvement?
- duties of nonmaleficence?

Does action *A* violate any special obligations stemming from the type of marketing organization in question?

Is the intent of action *A* evil?

Are any major evils likely to result from or because of action *A*?

Is a satisfactory alternative *B*, which produces equal or more good with less evil than *A*, being knowingly rejected?

Does action *A* infringe on the inalienable rights of the consumer?

Does action *A* leave another person or group less well off?

Is this person or group already relatively underprivileged?

Laczniac admits that the major purpose of his framework is to be used as a pedagogical tool to sensitize managers to the factors that are important in coming to grips with ethical issues. In addition this framework may suggest some of the components necessary for the construction of a model describing ethical behavior in marketing.

In addition Laczniac (1983, b) gave 14 propositions that should enable managers to deal with the subject of business ethics. He grouped these propositions into three categories: (1) propositions that serve as useful foundations; (2) descriptive propositions; and (3) proscriptive propositions.

Dixon (1982) argues that "conventionally, marketing activity is seen to occur in a market-directed economic system which is self-regulating; the market mechanism transforms private interests into public interest" (p. 38). This point of view is the center of Adam Smith's "invisible hand" hypothesis. In an analysis of Smith's and his contemporaries' work, Dixon found that their conceptual models did not rely solely upon the completely free reign of self interest, but required a coexistent ethical system. Dixon saw the existence of ethics and justice as crucial for the survival of the economic system. If an ethical system is present, then there is no need for intervention by a central authority. According to Vitell (1986), Dixon's article "is useful in giving a historical perspective to marketing and business ethics in our society, and in anchoring the need for an ethical component to marketing within this historical perspective" (p. 15).

Clasen (1967) suggests a more concrete marketing ethics theory. Employing the T-group technique to develop sensitivity to ethical issues in marketing decision making, Clasen concludes by means of group consensus, that no one traditional "wellspring" of ethics is sufficient in itself to determine the ethics of a complex marketing situation. That is, personal conscience, law, corporate policy, technical knowledge, and market expertise contribute in varying degrees to the final decision, but none of them touch the nerve of a marketing decision.

Through analysis of his own marketing decisions, Clasen observed two sources of ethical standards that were always present: professional expertise and consumer acceptance. The first "allows one to know what is good for someone else even when the other is unaware of the factors and the ethics involved" (p. 84). The second assumes that the company marketing executives' decisions "must in fact constitute what the consumer would do or choose: (a) if she had the best technical education, or (b) if she had the most modern tools for testing and evaluating" (p. 85).

Jurgen (1976) argues that ethical behavior must consider the value systems of society as a whole. He argues:

> if good and meaningful change is to take place, two vital ingredients become mandatory: an understanding of the concerns of others so that value emphasis will serve the greatest good, and an awareness of, and dedication to, the values underlying ethical behavior, by both individuals and institutions (p. 177).

Pruden (1971) presents three ethical frames of reference for marketers (see Figure 3). These ethical frames are: an individual ethic, an organizational ethic, and a professional ethic. An individual is influenced by each of these three ethical frames. The model in Figure 3 rests upon the notion of power: the power of organizational rewards and punishments supporting authority, the power of an individual to withdraw his essential services, and finally the power of a profession to exercise sanctions through the collective action of a professional group. A marketer's behavior would probably be guided by an ideology which was the synthesis of these three ethics. This synthesis, however, would likely be a dynamic balance since there are likely to be fundamental points of conflict among the three ethics. Pruden argued that the professional ethic is the most appropriate for marketers in view of mounting social demands and radically changing technology, and that its development is the responsibility of the American Marketing Association.

Fisk (1982) develops five general principles of ethical marketing conduct, hoping to progress toward a general theory of marketing ethics. The five ethical principles, which are based on the premise

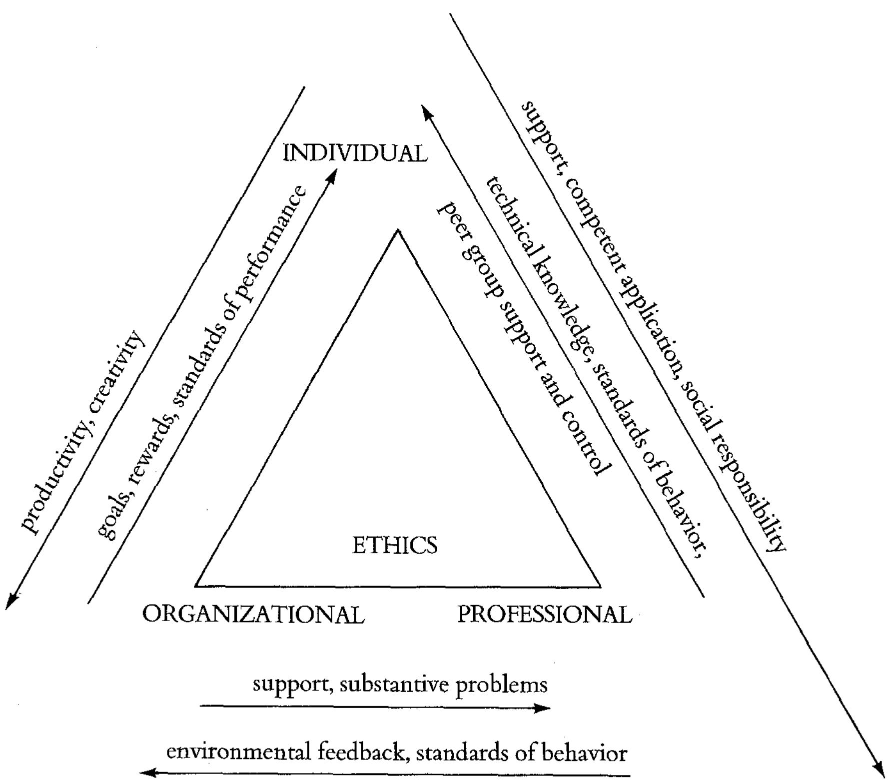

Fig. 3. Three ethical frames of reference for the marketer.

that human behavior is selfish and that people are motivated to seek personal gain, are:

1. Principle of trade – "ethical behavior is trading behavior. The exchange of value for value" (p. 257).
2. Principle of noncoercion – "ethical behavior requires rejection of coercive behavior. Coercion is the suppression of someone's rights and freedoms."
3. Principle of fairness – "the ethical individual treats others as independent equals."
4. Principle of independent judgement – "the ethical individual exercises independent judgement and expects the same of trading partners."
5. Principle of marketing – "satisfying consumer needs is the key to satisfying the needs of the marketer. Profits are maximized in the long-run by satisfying consumer needs" (p. 258).

These ethical principles are consistent with the ideas of exchange relationships and the marketing concept. The principles, argues Fisk, evolved from Libertarian thought (Rand, 1964), and are based on ideas contained in Equity theory (Adams, 1963) and Austrian Economics (Menger, 1950).

The most recent normative ethical decision model is proposed by Bommer *et al.* (1987). The model, according to the authors, links the influencing factors of ethical/unethical behavior with the mediating structure of the individual's decision-making process. The Bommer *et al.* model is presented in Figure 4.

C. *Articles related to a specific area of marketing*

This part of the literature includes: (1) articles on marketing research ethics, and (2) ethical issues in marketing management.

1. *Ethical issues in marketing research.* Bogart's (1962) ground beaking article on "The Researcher's Dilemma" introduces ethical issues in the area of marketing research. Bogart argues that marketing researchers

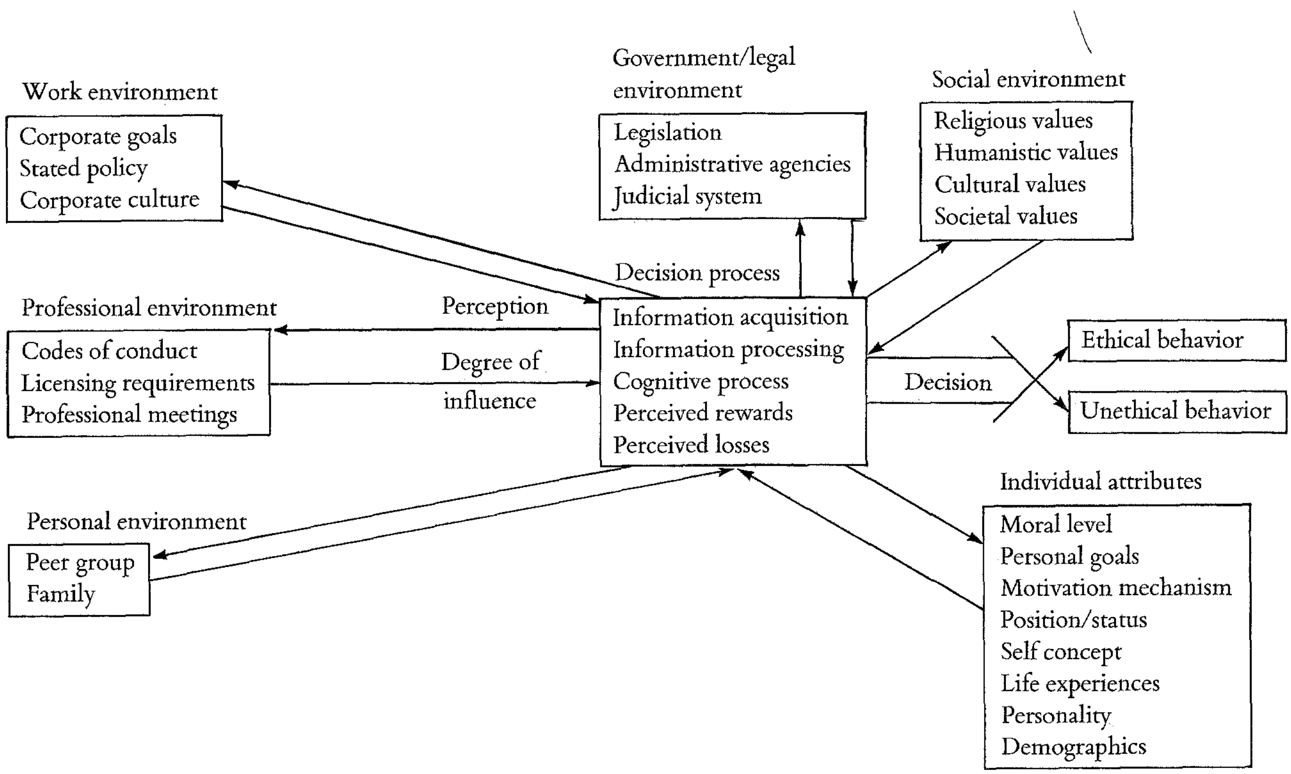

Fig. 4. A behavioral model of ethical/unethical decision making.

face a dilemma on how to resolve his dual orientation as a professional and as a businessman. As a professional, he thinks of himself as a scientist concerned with the pursuit of truth for its own sake; as a businessman, on the other hand, he has to be concerned with means and ends and corporate goals. The ethical problems which confront the marketing researcher are intensified by the absence of accepted codes of ethics, and by the pressures of the company to be productive in ways which have nothing to do with research at all.

Since the publication of this article, ethical issues in marketing research have received the most attention in the field of ethical marketing literature. According to Murphy and Laczniac (1981), the four major foci of this literature are: (a) the issues and rights of researchers and clients; (b) the attitudes of professionals toward research ethics; (c) the role of codes of ethics; and (d) the discussion of ethics in marketing research textbooks.

a. Issues and rights of researchers and clients. This part of the marketing literature deals with the delineation of the rights of all parties involved in the research process.

Bogart (1962) identifies four major types of problems in marketing research: (1) the extent of the researcher's honesty in doing what he purports to do; (2) the question of manipulating research techniques in order to produce desired findings; (3) the propriety of business judgement exercised in undertaking research (e.g., when a client chooses to define a problem in terms the researcher cannot accept); and (4) the forthright relationship of the researcher to those interviewed regarding the study's true purpose and sponsorship (1962, p. 9).

Blankenship (1964) raises three potential ethical problems. The first deals with ownership and management of research firms. In the case of a research firm owned or controlled by a bigger firm (let's assume an advertising company), the question is "can the subsidiary do unbiased work for its parent?" What subsidiary will risk a study showing that its parent is doing a poor job, if this study is designed to be used by one of the parents accounts. A similar problem can result in the case of interlocking directorates.

Second, ethical problems could be caused by financial aspects in the buying and selling of research. In this case, Blankenship considers the practice of excessive entertaining and giving presents to the potential buyer of research unethical. Ethical questions can also be raised when the salesman of research has an incentive to sell more research than necessary (this occurs when he is paid commission only).

Finally, ethical problems will arise if shoddy or fictional data are gathered. This can be avoided by installing quality standards and controls, and by filtering the concern for high quality down to the actual interviewers.

Tybout and Zaltman (1974) discuss the subjects's (respondents's) rights in marketing research and how their violation may affect the quality of data. They introduce the respondents, "bill of rights," which contain the "right to choose," the "right to safety," and the "right to be informed." A respondent's "right to choose" might be violated if he is pressured to make a "forced compliance" decision in the course of a laboratory experiment. Similarly, if confidentiality is promised but not kept, the respondent's "right to safety" is breached. Finally, the "right to be informed" is breached when the respondent is not debriefed at the end of an experiment that involved manipulation.

The breach of any of these rights may affect the quality of data. For example, if anonymity is regarded as suspicious by subjects, they may refuse to respond to personal or controversial questions, or not participate in the research at all. Individuals that do respond might be less than candid. In both cases, the quality of the data suffers.

Tybout and Zaltman offer solutions for all these possible problems. For example, to insure anonymity when responding to sensitive or embarrassing questions they proposed the use of the "randomized response technique." This procedure allows the respondent to reply to a question selected at random from two or more questions without the interviewer knowing which question he is responding to.

Day (1975), in his reply to the Tybout and Zaltman article, say that while Tybout and Zaltman are to be congratulated for exploring a neglected topic in marketing ethics, they confine their analysis to subjects' rights and ignore the rights of practitioners and clients. Day contended that the arguments presented in the Tybout and Zaltman article are severely weakened by being based solely on experimental psychological research, rather than on survey research which constitutes by far the greater part of marketing research.

In their rejoinder to Day, Tybout and Zaltman (1975) argue that Day confused the terms "market" and "marketing" research. Tybout and Zaltman argue that while in market research — a study of the market for a product — survey research is prevalent, in marketing research — research on consumer behavior, information processing etc. — experimental research is mostly used.

Similar to Tybout *et al.*, Schneider (1977) studies several types of respondent abuse in both survey and experimental research. Schneider's three ethical considerations in the treatment of subjects or respondents are: (1) deceptive/fraudulent practices — including unrealized promise of anonymity, faked sponsor identification, and others; (2) lack of consideration or concern for subjects/respondents — including poorly conducted interviews, failure to debrief, etc.; and (3) invasion of privacy — including projective techniques, one-way mirrors, etc. This issue of respondents' privacy was also examined by Frey and Kinnear (1979). Schneider recommended a research project by professional researchers to determine what research practices the public considers unethical.

Hawkins (1979) focused on the impact of sponsor identification and disclosure of the respondent's right to refuse to participate on the quality and quantity of data generated in a mail survey. He found that a department store being the sponsor reduced the response rate significantly from that obtained from a research firm or university sponsor. Presumably, the response rate was lower because respondents suspected an ulterior motive (profits). In addition, a definite statement of the respondent's right to refuse to participate had a significant negative impact on the response rate when the department store was identified as the sponsor. It appeared to have only limited impact with other sponsor types. Finally, Hawkins found that neither treatment had a major effect on the nature of the obtained responses.

b. Attitudes toward research ethics. This category includes mainly surveys of marketing professionals regarding their attitudes toward ethics in marketing research.

Crawford (1970) reports the reactions of research directors and top marketing executives to fourteen "situations" which occur in the process of marketing research. Crawford found that respondents disapproved of the use of ultraviolet ink, hidden tape recorders, and one way mirrors. Yet the majority of the respondents in their experience had encountered such or similar situations. Hawkins (1979) argues that:

> except in areas involving at best questionable law, nothing but one's conscience operates to inhibit these practices. There is no broadly applicable code, no board of investigation, no licensing authority, and no federal statement of research practice guidelines . . . thus a situation seems to prevail where objectionable practices occur at least occasionally, if not frequently, without formal resistance.

An interesting finding was that top marketing managers have a similar set of ethical standards as that of researchers.

Coney and Murphy (1976) examine the opinions of practicing and academic marketing researchers on the present state of affairs with respect to ethical and professional practices in marketing research. The extremely high response rate (nearly 75%) indicates that the respondents were concerned about ethical issues in marketing research. The most important finding, however, was that marketers perceive a significant gap between the ideal of ethical marketing research behavior and what is now common practice. For all seven practices examined, marketers felt that such a gap exists. The fact that a large proportion of AMA members are either unaware or unfamiliar with the Marketing Research Code of Ethics indicated the effectiveness of such ethical codes.

Beltramini (1986) surveyed a nationally representative sample of 500 marketing researchers and found that those researchers involved in competitive information acquisition are willing to misrepresent themselves and even take liberties beyond the limitations of official ethical policy.

c. Marketing research ethical codes. Gilbert Sabater (1982) argues that:

> the diversity of activities and the range of problems in the practice of marketing research make it difficult to reach consensus on ethics and standards. Yet, underlying the practice of most professionals in the field, there is a strong shared sense of responsibility for the proprieties of

> what marketing researchers do and the integrity of what they produce.

Gilbert Sabater chaired an AMA committee established to address problems raised by unethical practices and to set guidelines and standards for the marketing research profession.

While abuses are the short term reasons for ethical codes, a long-range reason is protection of the marketing research field. Twedt (1963) points out that the consumer must be protected against unethical research approaches if his cooperation is to continue. Blankenship (1964) mentions three other reasons: the risk of government intervention, protection of the users of research, and protection of the researcher. The user has to be assured of receiving honest research of acceptable quality. The researcher must be protected against the behavior of others less scrupulous than he. But, Blankenship continues:

> codes alone cannot provide the answer. They merely provide a few guideposts. And even the guideposts don't make the marketing research field any more ethical; they merely provide a broad written framework within which to determine when the behavior of a researcher is within or out of bounds . . . There is another reason why these codes alone will never provide the full answer. They can cover only the principles of honesty; they cannot hope to cover integrity. For integrity is a far tougher thing to specify. Honesty is merely an avoidance of incorrect behavior. Integrity is a voluntary, spontaneous, positive form of honesty, where one takes initiative in being honest by being almost aggressive about it . . . the codes can never legislate integrity.

Frey and Kinnear (1979) warn the profession that the absence of strong professional/ethical codes might lead to restrictive government regulation. Specifically, they argue that practices such as the guise of research as a sales ploy (called "sugging") and the research utilized as a disguise in a direct mail scheme might force FTC to step in and regulate the industry.

A specific code of ethics governing the relationship between client and consultant was advocated by Bezilla *et al.* (1976). Some of the solutions for client-consultant problems and for ensuring fair treatment of both parties are: a strong professional association for policing illegitimate behavior; partial payment for a proposal; and consultation fee for proposal writing.

The development of ethical codes should coincide with the development of "professionalism" in the practice of marketing research. Bogart (1962) was the first to recognize the importance of that linkage. Bogart's article was followed by Gerhold (1974) who proposed four requirements for professionalism in marketing research. These requirements are: (1) an agreed upon definition of the marketing research field; (2) group or professional identification; (3) proof of competence; and (4) principles manifested in a code of ethics (p. 10). Coe and Coe (1976) conclude that (1) a code of ethics, and (2) a procedure for disciplining violators are essential to professionalism. On the other hand, Murphy and Coney (1976) believe that professionalism in marketing research may best be achieved through accreditation.

d. Discussion of research ethics in textbooks. It is encouraging that recent textbooks on marketing research include at least a chapter on the subject of marketing research ethics. Such textbooks are by Zaltman and Burger (1975), Kinnear and Taylor (1979), and Tull and Hawkins (1987). The most thorough analysis on the subject of marketing research ethics is a chapter in the Handbook of Marketing Research by Hollander (1974).

2. *Ethical issues in marketing management.* A recent study by Chonko and Hunt (1985) surveys the ethical beliefs of marketing managers. Their results show that: (a) bribery is the most often mentioned problem faced by marketing managers followed by fairness, honesty, and pricing strategy; (b) ethical conflict is mainly felt when they tried to balance the demands of the corporation against customer needs; (c) marketing managers perceive plenty of opportunities in their companies to engage in unethical behavior, but, in general, such behavior does not lead to success; and (d) the existence of ethical codes is not related to the extent of unethical behavior by marketing managers.

In addition to the general article above, several articles about marketing managers have appeared in the literature dealing with ethical issues in purchasing, retailing, advertising, pricing, distribution, sales, international marketing and others.

a. Purchasing managers' ethics. Cummings (1979) contends that the only person who can have a more significant influence on the firm's bottom line than the salesman is the purchaser. A survey for the National Association of Purchasing Management reveals that accepting small items like tickets for sporting events or theater, advertising souvenirs, free lunches or dinners was not considered unethical; where as accepting larger gifts like loans, clothing, and appliances was deemed unethical. Cummings also found that most large companies have formal written policies on purchasing ethics. In a similar study, Rudelious and Buchholz (1979) argue that although written policies cannot cover every ethical situation, these policies can help the purchasing agent make a more consistent decision.

Dempsey, Bushman and Plank (1980) surveyed industrial buyers in order to determine the influence of gifts and other personal inducements on making industrial sales. Their results show that buyers generally agree that business lunches and advertising specialties are appropriate or "ethical" forms of inducements. On the other side, "an-evening-on-the-town" or a gift worth more than $10 were considered inappropriate or "unethical".

b. Product managers' ethics. Ethical issues regarding product decisions have also occupied marketing researchers. Practices such as the proliferation of nonfunctional packaging (Hartley, 1976), planned obsolescence (Gwinner *et al.*, 1977), and arbitrary product elimination (Hise and McGinnis, 1976), were deemed as at least ethically suspect, if not outright unethical. Hise and McGinnis argue that most companies deciding to eliminate a product evaluate only the profit potential of the product and ignore any effects such an act might have on consumers. An example of that behavior is the lack of replacement parts of a discontinued product line or the termination of a necessary but unprofitable pharmaceutical product.

The way a product is priced can be ethically-suspect, if not outright unethical. For example, Sturdivant (1968) discovered that ghetto consumers pay more for the same product than the more affluent suburban consumers. An article in the *Wall Street Journal* ("Consumer Find . . . 1977) discussed the practice of altering the quality and/or size of a product in order to keep the price at the same level (e.g., chocolate bars). Sonnefeld and Lawrence (1978) found that ethical codes on pricing and specifically on price discrimination circulates only at the top levels and the word seemed to have trouble getting down the line. Even those documents that circulated among all the employees seemed to be "broadly written, toothless versions of the golden rule." Sonnefeld and Lawrence propose a specific code of ethics for dealing with price fixing and price discrimination problems.

c. Ethics in the channel of distribution. Ethical problems in the channel of distribution can range from unresponsiveness by retailers in dealing with customer complaints (Andreason and Best, 1977), coercion of channel members by the channel leader and to franchisors charging high prices to products they sold to their captive customers (Weigand, 1980).

d. Salespeople's ethics. Dubinsky *et al.* (1980) argue that salespeople are key links between an organization and its customers, who often face ethical dilemmas when forced to choose between short-run pressures from management to meet a sales quota and long-run goals of achieving customer confidence and satisfaction. The inability to handle such dilemmas – due partly to a lack of management guidelines – may lead to job stress, poor sales performance, and dissatisfied customers.

In order to address this potentially problematic situation, Dubinsky *et al.* identify what kind of situations are viewed by salespeople as problematic, whether stated company policy existed that apply to these situations, and whether sales personnel want such stated policies. Situations or practices considered as presenting an ethical problem were: (1) allowing personalities – liking for one purchaser and disliking for another – to affect price, delivery, and other decisions regarding terms of sale; (2) having less competitive prices or other terms for buyers who use a firm as the sole source of supply; and (3) making statements to an existing purchaser that exaggerate the seriousness of his problem in order to obtain a bigger order or other concessions. Finally, sales personnel seem to want more guidelines to help them resolve ethical questions.

Given that salespeople are likely to experience ethical conflict in their jobs, it is incumbent for sales managers to design work environments that mitigate ethical conflict. Walker *et al.* (1977) argue that ethically troubled salespeople will experience increased levels of job-related tension, frustration, and anxiety; these disfunctional consequences could further lead to lower job performance and increased turnover. A later article by Walker *et al.* (1979) reports that the inability of salespeople to resolve ethical problems can result in conflict between salespeople and their managers; again resulting in reduced job satisfaction and low productivity. In addition, they found that performing the sales job in an unethical fashion may lead to customer dissatisfaction, unfavorable word-of-mouth, as well as reduced sales and profits for the firm.

Sales management writers such as Dalrymple (1982), Futrell (1981), Russell *et al.* (1978), and Stanton and Buskirk (1978) agree that ethical issues confronting sales personnel can be categorized in two groups: (1) ethics in dealing with customers and (2) ethics in dealing with employers. Customer-related concerns include bribes, gifts, entertainment, reciprocity, and conflict of interest. Employer-related concerns include moonlighting, relationships with fellow salespeople, the use of company assets, expense accounts, and sales contests.

Snyder (1976) studied the practice of bribing in order to make a sale. He admits that berbery is not only a problem with dealings abroad but also inside the USA. Snyder found that 22% of his respondents have been asked to make an illegal payment abroad, while 49% were asked to make such a payment in the USA. Snyder argues, however, that post-Watergate morality has forced most companies to develop codes of international sales ethics.

Bellizzi and Nurdock (1981) focus on industrial sales management in the 1980's, and recommend the development of an ethical code for industrial sales. This code should outline the proper sales techniques, as well as gift giving and entertainment issues.

Ebejer and Morden (1988) proposed a "realistic" professional ethic for sales people – "limited paternalism." According to the authors:

> Limited paternalism implies that a salesman should 'be his buyer's keeper' in the sense that he should serve the interests of his customers by identifying their needs, while disclosing all relevant information about products or services in order to facilitate mutual exchange to mutual advantage (p. 337).

e. Retailing ethics. Norris and Gifford (1988) collected both comparative and longitudinal data between 1976 and 1986 from retail store managers and retail students concerning their perceptions of ethical practices in retailing. Contrary to the popular belief that ethics have eroded over time, their results indicate a significant increase in the ethics of retail store managers. However, a significant decrease was evident in the ethics of retail students.

Other one time studies in the field of retailing ethics have been conducted in retail communications (Levy and Dubinsky, 1983), retail theft (Fitzmaurice and Radolf, 1961; Tatham, 1974), retail sales personnel (Dubinsky and Levy, 1985), and retail store managers (Dornoff and Tankersley, 1975).

f. Advertising ethics. To understand better the ethics in advertising issue, it is helpful to examine some of the history that underlies the morality of advertising issues. Murphy and Laczniak (1981) provide the following useful summary.

The ethics of advertising, like sales, has come under question almost continuously (Packard, 1957; Galbraith, 1958). Because advertising is such a visible element of marketing, this situation is not surprising. Furthermore, ethical issues come up with respect to the role of advertising agencies' dealing with their clients as well as the advertiser-consumer linkage.

A thorough discussion of advertising ethics is contained in Wright and Mertes's (1974) readings book. In this work, selections about advertising ethics were written by Alderson, who discussed the reconciliation of Christian ethics with the U.S. economy; Levitt (1970); and a variety of scholars from outside the field of marketing who used their fields of religion, philosophy, and history to comment on advertising ethics.

Despite the appearance of an advertising code of ethics in the 1920s, the various authors chronicle many continuing abuses, including puffery and exaggerated claims. Several prescriptions for raising the level of ethics in advertising were presented by these writers, including Levitt's (1970) classic defense of advertising ethics. In that article, Levitt admits that advertisers typically try to persuade and manipulate consumers but that these efforts are not fundamentally different or as controversial as the efforts of artists, politicians, and editorial writers to manipulate ideas in the minds of citizens. Levitt states that "embellishment and distortion are among advertising's legitimate and socially desirable purposes." To reject these techniques of advertising would be to deny man's honest needs and values.

At the 1971 AMA Educators' Conference, Boulding (1971) gave a speech on the ethics of persuasion. He listed four major ethical criticisms of the persuasion industry:

1. The contention that persuasion of an individual violates the person's inherent right.
2. The fact that the persuasion industry leads to certain human addictions.
3. Simple dishonesty – that is, persuaders are only trying to make money but not propagate the truth.
4. The idea that persuasion frequently degenerates into vulgarization.

Boulding's thoughtful analysis concludes with the call for a continuing search by marketers for answers to tough ethical questions in advertising.

Several new topics have surfaced in the area of advertising ethics. Consoli (1976) advocates that advertisers display a high standard of ethics in using comparative advertising. Also, the stereotyping of women in advertising is mentioned as another ethical issue in this article. Turk (1979) examines what he labeled as the "ethical morass" of advertising to children. He feels both government and industry are caught in this trap. He argues that marketers and broadcasters feign concern for children's health but also want to perpetuate highly profitable television programs aimed at children. At the same time, Turk likened the FTC staff to moral crusaders of another era and states that their proposals are too severe for acceptance.

Krugman and Ferrell (1981) investigated the ethical perceptions held by advertising practitioners, ad agency account managers, and corporate ad managers regarding their peers in the organization and others with whom they interact. It is not surprising that they found that respondents believe that they possess higher ethical standards than their peers. The authors conclude that favorable ethical performance will be rewarded and widely disseminated and that top management should use their perceived higher ethical standards to influence the members of the firm.

Recently, the popular press has taken notice of current advertising campaigns that make extensive use of sex appeal. Bronson (1980) examined several campaigns and discussed the role of the network censor in deciding which ads are not in good taste. The use of sex appeal is especially prevalent in promoting designer jeans (Frons, 1980; Bronson and Birnhaum, 1980). The use of models clad provocatively in jeans and the use of suggestive language in television commercials are commonplace in this type of advertising. One writer captured the flavor of these campaigns: "Almost all TV ads for designer jeans exploit fantasy in campaigns that seem to stretch the tenets of truth in advertising" (Frons, 1980, p. 85).

One thing seems certain: The overt nature of advertising lays it open to questions of an ethical nature. This point was noted by Greyser and Reece (1971) when introducing their classic survey of business people's attitudes toward advertising:

> Perhaps because it touches the public in so many ways and throughout the day, advertising seems to be receiving a constant barrage of criticisms from both activists and the public.

After concentrating on the business perspective toward advertising, Greyser and Reece (1971) concluded that subscribers to a leading business publication were increasingly uneasy about the truthfulness and ultimate social impact of advertising.

Krugman and Ferrell (1981) reached the conclusion that advertisers clearly distinguished between the acceptability of certain practices. Ethics is seen to be a matter of degree rather than either absolutely wrong or absolutely right. Issues of a more overt nature that need more than tacit approval are judged to be more unethical than issues that are more covert and easily rationalized. For example, padding an expense account more than 10% or manipulating a situation to make a superior or subordinate look bad are seen as highly unethical, while not reporting the violations of others and taking extra personal time are seen as more acceptable behavior. In sum, the less overt and more easily rationalized behaviors are believed to be more acceptable and more widely practiced.

In the late 1970s, Maidenform started the advertising appeal, "The Maidenform woman. You never know where she'll turn up." The advertisements featured a scantily clad model standing around fully clothed men. Women Against Pornography have given Maindenform a ZAP award for sexist advertising. The company maintains that the only way their merchandise can be properly shown is to put it on models. Ferrell (1985) argues that the Maidenform ethical dilemma is a good example of ethical relativism. Ethical relativism recognizes that while there may be different value systems, analysis of moral consequences and the establishment of limited moral principles are extremely important (Robin, 1980). In the Maidenform example, one party sees the use of live models in advertisements as the logical way to promote lingerie, while another group perceives such provocative photos as exploitative and unethical.

g. Ethics in international marketing. Business has been accused of unethical practices in international dealings since international trade began. Multinational corporations, with their major role in international trade, have attracted much of the criticism concerning unethical behavior (Rosenberg, 1987; Donaldson, 1985; Hagg, 1984; Berleant, 1982; Naor, 1982; Simpson, 1982).

Marketing activities have also been central to international trade and thus have attracted their share of criticisms concerning unethical behavior. Marketing has been criticized for offering harmful products to underdeveloped countries (e.g., DDT), and promoting its products through bribes and payoffs (Longenecker *et al.*, 1988; Lane and Simpson, 1984; Johnson, 1985).

Efforts to legislate such practices, including the Foreign Corrupt Practices Act of 1977 (Shaw, 1988), have been ineffective because it is difficult to legislate ethics. Kaikati and Label (1980) argue that in order to cope with the Foreign Corrupt Practices Act strong top management support for the corporate code of ethics is essential. In addition, strong disciplinary action should be taken against the violators of that code.

Post and Baer (1979) criticize severely the marketing of infant formula in foreign countries and propose an extensive "demarketing" strategy as a way to solve this ethical problem. For a complete presentation of the infant formula controversy, see Baker (1985).

Fritzsche and Becker (1984) argue that ethical practices of business tend to vary from country to country. In their study, marketers were asked to evaluate the ethical standards in various countries. Germany was perceived as the most ethical country followed by the United Kingdom and then the U.S. and France. Mexico was ranked lowest. The authors concluded that the level of ethical behavior tends to increase with the level of economic development of the country. Whether this increase is caused by developments in the legal system of the country or by society's expectations and the needs of the participants is unknown.

Fritzsche (1985) offers a model of ethical decision making that can be used by international marketers (see Figure 5). This model is a modification of the one proposed by Cavanaugh *et al.* (1981). The macro part of the model deals with the utilitarian benefits to society and serves as a screening device for the micro portion of the model. The micro part deals with individuals. Stage 2 of the micro part is concerned with the effect of the decision on individuals' freedom. If stage 3 is reached, the issue of individual justice is considered.

Schollhammer (1979) argues that the continued rapid expansion of multinational corporations and the inordinate economic power they hold has brought their activities under close scrutiny and criticism. This criticism has been fueled by sensational revelations of unethical practices, such as undue political influence, bribery, and corruption committed by prominent multinational firms. However, some of this criticism might be unjustifiable because, as Schollhammer found, corrupt payments are far more often asked of than offered by the multinational corporations. So, these firms seem to be more the victims of a social practice pervasive among many of the developing countries of the world.

Schollhammer further argues that, although relatively few multinationals have been implicated, their unethical practices affect the ethical perception of all. The author found that the ethical standards of the multinationals are viewed with suspicion by the majority of the respondents he surveyed.

Barry (1979) surveyed 65 major multinational corporations and found that only a small number even have explicit statements and directives that the business be lost, or other adverse economic consequences be accepted, in order to comply with the corporation's ethical policies. Only 25% of the firms have taken any steps to prevent unethical practices abroad.

Finally, Prasad and Rao (1982) argue that ethics and morals are subject to changing societal values as well as subjective interpretations. For these reasons,

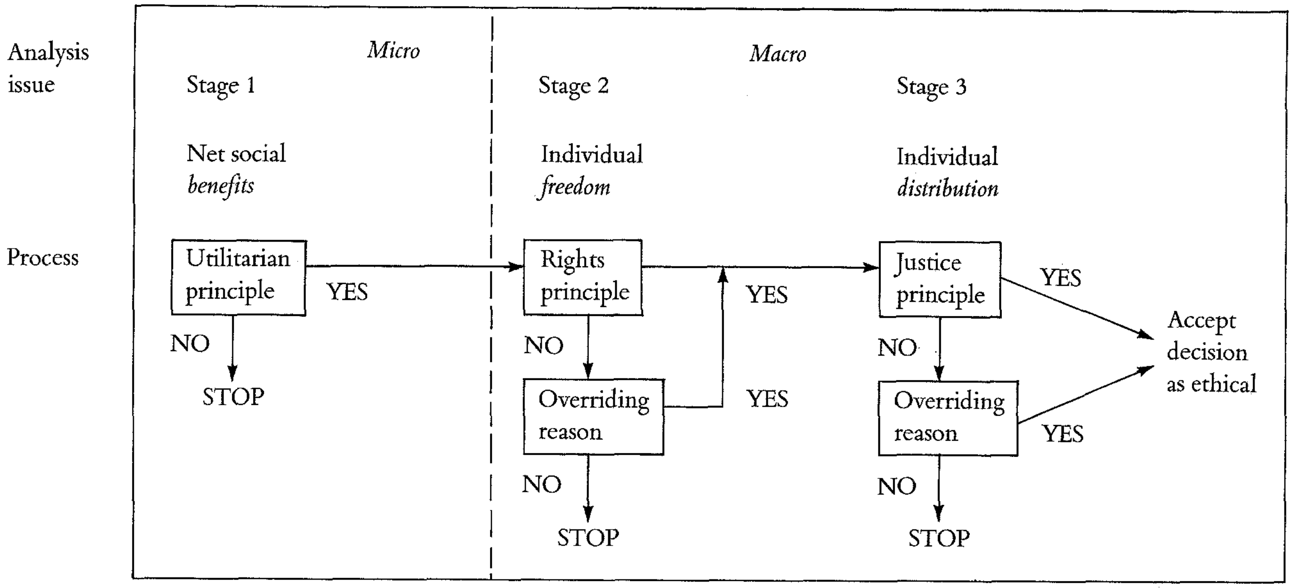

Fig. 5. A model for ethical decision making.

questions concerning business ethics in general are difficult to deal with, and those concerning the ethics of multinational companies are even more difficult because of the heterogeneity of societal values by which these firms are affected.

h. Ethics in marketing education. Arlow and Ulrich (1985) argue that there are two basic approaches to improve business ethics. One approach entails reforming organizational practices such as developing corporate ethical codes, and providing more top management ethical leadership. The second approach advocates the incorporation of business ethics into the curriculum of business schools.

It is possible and may be essential that ethics and business ethics become an integral part of each business student's academic preparation for the business world. Unfortunately, according to Kreitner (1981), Kreitner and Reif (1980), and Moore (1982), no concerted effort is being made along these lines. Most business administration curricula contain a single course relating business to its external environment. Typically, only a chapter or two is devoted to business ethics or social responsibility.

Gelb and Brien (1971) suggest that universities must share the burden of guilt for business executives failing fully to recognize the need for social responsibility in business decisions. They argue that universities are partially responsible for the personal and organizational value systems that influence managerial decision making.

Lane *et al.* (1988) designed a survey to assess the impact of business education on the ethical beliefs of business students. They concluded that "business programs, rather than reinforcing positive ethical perceptions and actions on the part of students may, in fact, have a negative impact on certain ethical actions and perceptions" (Lane *et al.*, 1988, p. 229). Included in the negative impact were engagement in dirty tactics, selling one's soul for grades, and pandering to professors' wishes.

In discussing possible future directions for marketing education, Lazer (1970) states that attempts to teach business students how to cope with socially related issues have not been as successful as efforts directed at the development of marketing technicians.

From 1975 to 1980, several studies attempted to identify the position of higher education vis-à-vis instruction in business ethics. Buchholz's (1979) survey reports that over 82% of 307 responding AACSB schools are offering courses in corporate social responsibility, business and society, or public policy where business ethics is usually covered. About 71% of the sample reported that they covered the subject of ethics and values in these courses. Similar results were reported by Holloway and Hastings (1978). Other schools have introduced separate courses in business ethics (Lewin, 1983).

However, Huber (1979) and McMahon (1975) report that at least 60% of the institutions surveyed did not have a course in business ethics. According to George (1987) "this discrepancy seems to suggest that the respondents did not perceive the public policy or business environment types of offerings as being primarily ethical in their orientation" (George, 1987, p. 514).

In 1968, Marks and Scott reported that 35% of the AACSB responding schools offered a course dealing with ethics or social responsibility. This study has since been invalidated because it did not distinguish between ethics courses and business and society courses.

Murphy and Laczniac (1980) found that only 2% of the schools offered a course in marketing ethics specifically. The other 98% said that the topic of ethics was covered in some other marketing course. Even for the few schools that offered a specific marketing ethics course, they offered it as an elective and not as a required one. Some additional surveys on the subject were reported in the *Journal of Business Ethics* (Hoffman and Moore, 1982; Hosmer, 1985).

The logic behind the absence of courses on business ethics was presented by Miller and Miller (1976) in their article "It's Too Late for Ethics Courses in Business Schools." The authors argued that:

> It seems to us that it is impossible to deal effectively with the problems of integrity in business at any level other than the highly personal one of the integrity of the executive. If you accept that premise, then most of the courses at the university level become an exercise in futility (p. 40).

Hosmer (1987) proposes three reasons why some business schools do not offer a course in business ethics: (1) a lack of understanding about the complexities of ethical decisions in business, (2) a reliance on the concept of Pareto Optimality in economics, and (3) an objection to managerial ethics on the grounds that the field is unscientific and subjective.

In addition, the Harvard Business School did not offer any courses in business ethics because the faculty felt that by the time students enrolled in graduate school, their ethical values were ingrained.

Contrary to the Harvard Business School, Konrad (1978) argues that the fact that the ethical values of students are ingrained is not an excuse for not offering business ethics courses. Konrad admits that such courses will not transform the student's values in the course of a few months, but the course will make them more sensitive to ethical issues, and promote the use of the already ingrained values.

Empirical evidence, although scant, tends to support Konrad's view. Purcell (1977) in a long term study measured ethical reactions of business students just before taking a business ethics course and ten years later when they were in the business world making actual ethical decisions. He found that the respondents were more apt to recommend ethical behavior ten years after graduation than when they were asked to make similar judgments just before taking the business ethics course. Barach and Nichol (1980) found that a business ethics course positively affected students not only on the subjects covered in the course but affected their business behavior in general.

A related string of literature measured the level of ethical awareness of students. Hawkins and Cocanougher (1972) studied students' reactions to ethical issues in business. They found that business majors were more tolerant of business practices than nonbusiness majors. Similar findings were reported by Gelb and Brien (1971), Shuptrine (1979), and Losser and Hasty (1979).

Murphy and Laczniak (1981) argue that marketing educators and authors of marketing textbooks should take steps to increase the emphasis on ethical issues in marketing courses. These steps include: (1) ethical issues should be woven throughout marketing courses and texts instead of being left to the end; and (2) create some marketing cases that deal with ethical issues.

Because of the fundamental antagonism of the various normative ethical theories and the conflicting codes of action they propose, teachers, such as Vivien Weil, have become disillusioned with ethical theory and have eliminated it entirely from their courses (Brady, 1985). The reason for this action is that the complexity far outweighs the relevance of theory (Milesko-Pytel, 1979). Emphasizing in a recent essay the inapplicability of ethical theory, Archie Bahm (1982) argues that we are "teaching ethics without ethics to teach."

Mathison (1988) argues that business ethics courses, as they are presently being taught, have an excessively philosophical bent and may not be relevant to real business people facing real business problems.

In addition, Mathison contends that the majority of textbook examples and cases (over two-thirds of the cases in Velasquez, 1982; Luthans *et al.*, 1987; and Hosmer, 1987) reflect a strong bent toward top executives' dilemmas, ignoring middle and supervisory level positions' ethical concerns. Mathison proposes that the core foundational concepts of egoism, utilitarianism, and moral idealism still need to be dealt with. However, three additional tools should also be presented: (1) Mathison's "synthesis model," which attempts to integrate the best aspects of the traditional models (Mathison, 1988, 1987), (2) the Nash model (Nash, 1981), and (3) the Pagano model (Pagano, 1987) both of which constitute a series of simple but probing practical questions.

Pamental (1988) reviews several texts used in business ethics courses and he commends them for the use of case materials and for the manner by which they involve the students in decision making situations. Pamental argues that, unlike earlier texts, these texts do not warrant the criticism that "cases shed little light on how the ethical component is incorporated into the decision-making process" (Walton, 1980). However, he criticized them for: (1) concentrating too heavily on cases of a general management nature, ignoring the various functional areas of the firm in which most graduates begin their careers, and (2) concentrating too heavily on manufacturing firms, at the expense of service firms.

In conclusion, two major viewpoints on teaching business ethics in business schools exist. One suggests that business ethics is a necessary part of an undergraduate business student's education and that the subject can be taught either by challenging student values or by making students aware of ethical behavior (Baily, 1968; Bok, 1976; Donaldson, 1978; Konrad, 1978; Purcell, 1981; Saul, 1981). Powers and Vogel (1980) cite a variety of reasons for the growing interest in the subject of business ethics and why it is important in the education of business students.

The other viewpoint is that efforts by business schools are already too late to build ethical values, as these values must be assimilated as part of a total educational philosophy instead of a single course (Miller and Miller, 1976). Similarly, Andrews (1979) indicates that ethics instruction did not change the ethical predispositions of graduate business students, and that while other business skills can be taught, corporate ethics cannot be. Available studies in the area do not support either view. For example, on one side Barach and Nicol (1980), and Purcell (1977) report that MBA graduates perceive that a business and society course has a positive effect on business ethics.

Stead and Miller (1988) argue that even though there was very little post-course reordering of priorities, students did display an increased perception of the importance of social issues.

On the other side, Arlow and Ulrich (1980, 1985) report that both the short term and long term effects of a business and society course on undergraduate business students' ethical values are negligible, but the results varied by academic major.

In addition, Arlow and Ulrich (1983) report an initial overall improvement in ethical scores four months after a course in ethics, but four years later respondents reverted back to the initial low scores measured before they took the course.

Martin (1981) found that there was no significant improvement in the ability of undergraduate business students to analyze ethical problems after a two-course exposure to ethics compared with the ability of engineering students who did not take the courses.

i. Information explosion. Another area of ethical concern whose prominence has been growing dramatically in this age of high technology is the information explosion due to the introduction of computers in all business functions. New innovations and applications in the fields of computers and telecommunications are introduced so rapidly that most businesses have not had the time to assess the ethical implications of that explosion. Hutzler (1982) argues that corporate decision makers need to be aware of the potential problems arising from these changes, not only from an operational perspective but also from legal and ethical viewpoints.

Burger and Schmidt (1983) present some of the issues that might create ethical problems in this area. These include privacy of consumer information, security of information, the question of possible consumer manipulation, and the storing of information for multinational corporations in foreign countries.

Weston (1979) found that even though the majority of the public feel that computers have improved the quality of life, even more people see dangers in the way computers are being used to process personal data.

j. Social responsibility of marketing managers. A group of researchers from Yale University has divided ethical meaning into two categories. Into the first category falls all that behavior based on the "moral minimum" of not harming others. The second category represents the "affirmative duty" to attack social problems of poverty, discrimination, or urban decay (Simon *et al.*, 1972). The authors accepted the first view, that the moral minimum which confronts business people is only the reduction of injuries caused by the processes they manage. Contrary to Simon and Powers, proponents of social responsibility seem to take the second view.

The concepts of social responsibility and social auditing are conceptually close to ethics. Social responsibility is especially close to utilitarian theories of marketing ethics. But in spite of this relationship, the social responsibility and social auditing literature will not be reported in this literature review. For more information on these subjects see Bauer and Fenn (1973), Kizilbash *et al.* (1979), Moser (1986), Filios (1986), Spencer and Butler (1987), Zahra and LaTour (1987), and Orpen (1987).

D. *Articles on ethical abuses in marketing*

Within the business firm, the functional area most closely related to ethical abuse is marketing. This is because marketing is the function of business charged with communicating and openly satisfying customers. Thus, marketing is closest to the public view and, consequently, is subject to considerable societal analysis and scrutiny (Murphy and Laczniak, 1981).

Some years ago Farmer (1967) argued that the field of marketing is basically unethical; that businesses push consumption of unnecessary goods and services causing scarce resources to be squandered. Although Farmer took a more moderate position in a later article (1977), ethical questions about marketing practices remain a critical concern for practitioners as well as academicians.

Farmer provides two explanations of why marketing is viewed as unethical. The first is that for the past 6,000 years the field of "marketing" has been thought of as made up of "fast-buck artists, con-men, wheeler-dealers, and shoddy-goods distributors." The second explanation is that "what is visible about marketing is not the intriguing, truly exciting research work in a variety of behavioral and technical areas. Instead, it is the picture of some pitchman selling hair spray on television!"

Marketing's problem of perceived ethical abuse is made clearer by the following two studies: Baumhart (1961) identifies the major ethical problems that business people want to eliminate: (1) gifts, gratuities, bribes, and "call girls," (2) price discrimination and unfair pricing, (3) dishonest advertising, (4) miscellaneous unfair competitive practices, (5) cheating customers, unfair credit practices, and overselling, (6) price collusion by competitors, (7) dishonesty in making or keeping a contract, and (8) unfairness to employees and prejudice in hiring. Note that five of the eight most important ethical problems have to do with marketing activities. Brenner and Molander (1977) conducted a follow-up study and found the same set of undesirable practices.

This prejudice against marketing is further explored by Steiner (1976) in his excellent article "The Prejudice Against Marketing." One of the major points is that marketing is seen as unethical partly because it deals only with time and place utility and not form utility.

Finally, Hunt and Chonko (1986) designed a research project to explore the question of whether marketing is manipulative, unethical, or "Machiavellian" in nature. They conclude that marketing has its "share of Machiavellians — no more, no less." In addition, "marketers high in Machiavellianism are not disproportionately located in any particular marketing occupation (such as sales)." Finally, the authors show that one does not need to be a Machiavellian to succeed in marketing. Actually, the reverse seems to occur.

Positive studies

Wokutch and Fahey (1981) identify a number of methods used in ethical research:

1. The utilization of laboratory experiments and business game simulations in which unethical behavior is measured. This method allows the researcher to measure the influence of various factors such as business experience, age and completion of a business ethics course. One example of the use of this methodology is the study by Hegarty and Sims (1978) in which they measured the effects of potential rewards and punishments on students paying kickbacks in simulated business situations.
2. Ex post facto research in which actual ethical decision situations are reconstructed. Such an approach permits the study of real life situations. Some researchers have avoided this line of research because of its problem of getting accurate and complete information.
3. Participant observation approach, which permits the researcher to observe behaviors as they take place and then infer cause and effect relationships. Unfortunately, this approach is seldom used because of problems involved in gaining access to organizations.
4. The survey research approach in which subjects report on their own ethical behavior and beliefs.

The majority of instruments used in collecting ethical data utilize some form of scenarios presenting some ethical/unethical situation to which the subjects have to react. The use of scenarios, according to Fritzsche and Becker (1982), allows one to inject a greater amount of background information and detail into an ethically questionable issue. Scenarios therefore are thought to elicit a higher quality of data in this type of research than is possible from simple questions (Alexander and Becker, 1978).

Scenarios and "paper and pencil" questionnaires have been traditionally used in ethics research, because they can "create dilemmas that can induce respondents to realistically modify their choices of alternatives in a given situation" (Vitell, 1986). Scenarios, in addition, can induce the respondent to experience "the task as a problem and must therefore do some fresh thinking" (Gibbs and Widaman, 1983, p. 13).

Fritzsche and Becker (1983) used scenarios that presented various types of ethical dilemmas. The ethical dilemmas addressed dealt with the issues of: (1) coercion and control, (2) conflict of interest, (3) the physical environment, (4) paternalism, and (5) personal integrity. The authors concluded that marketing managers reacted differently to different types of dilemmas.

Positive studies in business ethics can be divided into six main categories: (1) causes of unethical behavior, (2) ethics of future executives, (3) the relationship between ethical behavior and profitability, (4) social marketing ethics, (5) cross-cultural ethics, and (5) surveys of various publics.

1. *Causes of unethical behavior*

In 1961, Raymond Baumhart undertook one of the early examinations of corporate ethics. Baumhart (1961) surveyed more than 1,700 business people and found that almost 80% believed that unethical practices occur in business. The unethical practices that 82% of the respondents would most like to see eliminated were associated with the traditional marketing functions of pricing and promotion. Some respondents felt that marketing affords the greatest number of opportunities for unethical behavior; the marketing structure itself encourages questionable business practices.

The two key influences felt to be leading to unethical behavior were business superiors and the ethical climate of the industry. Nossiter (1964) argues that these responses do not reflect a world of amoral executives, accepting the business life as it is; instead, the respondents display a marked uneasiness about their role and that of their fellows.

Baumhart also found that students have a lower opinion of the ethics of a business person than that of the business person himself. In addition, business people tended to attribute significantly higher ethical standards to themselves than they did to their associates in business.

Arlow and Ulrich (1988) compare the results of Baumhart's study with their business graduate sample's ranking of factors that influence ethical conduct. These rankings are:

Baumhart study	*Arlow & Ulrich study*
1. Personal codes of behavior	1. Family training
2. Behavior of superiors	2. Conduct of superiors

3. Formal company policy	3. Practices in industry
4. Industry ethical climate	4. Conduct of peers
5. Behavior of peers	5. Religious training
	6. School training

The strong consistency among the priority attached to factors influencing ethical conduct is obvious from the above listing.

Brenner and Molander (1977) replicated Baumhart's study and found that 67% of 1,227 business executives surveyed felt that unethical practices occur in business. Furthermore, this study indicated that pressure imposed by superiors and the absence of a corporate ethical policy were the two main causes of unethical behavior. Other factors influencing "unethical" decisions were: (1) the industry ethical climate, and (2) the behavior of one's co-workers in the firm. These factors were the same in both the Baumhart and Brenner and Molander studies, although their rank order was slightly different.

Another explanation for unethical business behavior is the use of two ethical standards – personal and business (Bowman, 1976; Carroll, 1975). Personal standards tend to be more strict than business ones. Bowman's and Carroll's research found that people feel under pressure to compromise their personal standards in order to achieve the goals of the organization. Carr (1968) suggested yet another reason for unethical business behavior. In a controversial article, he likened the strategies people employ in business to those used by individuals playing a game, such as poker, where the players' standards differ from those generally employed in their nonworking lives. Carr stated that "most businessmen are not in different to ethics in their private lives, everyone will agree. The point is that in their office lives they cease to be private citizens; they become game players who must be guided by a somewhat different set of ethical standards" (p. 145). Perhaps, then, as long as one does not transgress the law – the business player's "rules of the game" – it is necessary to adhere to higher laws (that is, ethical standards). It is to the advantage of business people to follow only the rules of the game in plotting a strategy to achieve victory.

It is possible that a kind of Gresham's Law of ethics operates in a business environment. That is, "the ethic of corporate advantage invariably silences and drives out the ethic of individual restraint" (Carr, 1970). The results of a study by Newstrom and Ruch (1975) suggest that managers have a propensity to act unethically if it is to their advantage – and if the barriers to unethical practices are reduced or removed. If a Gresham's law of ethics is applicable in industry, then personal codes will probably be compromised, forcing adherence to a code of business ethics. To do otherwise could cause mavericks to suffer peer ostracism or even lose their jobs.

Newstrom and Ruch (1975) surveyed business executives and found that: (1) ethics is personal – each of the situations was seen as "highly unethical" by some respondents, whereas they were seen as "not at all unethical" by others; (2) ethical beliefs of employees are similar to perceptions of top management ethics – the explanation for this finding was that employees either project their beliefs onto top management or else pattern their thoughts after this critical reference group; (3) managers have the propensity to capitalize on opportunities to be unethical, if those situations arise; and (4) managers believe their colleagues to be far more unethical than they themselves claim to be.

Fritzsche and Becker (1982) examine the business ethics of college students using ten vignettes which pose five different types of ethical problems. Their data appear to indicate that the students respond to the vignettes on an individual basis. There are also indications that the responses are elicited by the type of problem. Finally, the authors conclude that students may possess no hard and fast rules for dealing with specific types of ethical problems. Each problem is likely to be dealt with individually, based upon the values the student holds at that point. According to the authors:

> this finding may tend to explain the great variation in the ethical behavior of today's managers. With no instilled rules to follow, the ethics of the individual are likely to reflect the ethics of the organizations with which they associate. In the long run, one might thus expect the ethical behavior of managers to sink to the lowest common denominator.

Carroll (1975) concluded that the impact of social interaction on ethical behavior is a major internal environmental consideration in understanding ethical behavior toward consuming publics. Carroll's survey found that young managers in business said they would go along with their superiors to show their loyalty in matters that related to judgments of morality. Almost 60% of the respondents agreed that young managers would have done just what junior members of Nixon's re-election committee had done.

A survey by Pitney-Bowes Inc. (1977), a manufacturer of business equipment, revealed that 95% of its managers feel pressure to compromise personal ethics to achieve corporate goals. A similar study of Uniroyal managers found 70% feel pressure to compromise ethics. Most managers at Pitney-Bowes and Uniroyal believe most of their peers would not refuse orders to market off-standard and possibly dangerous products.

Tarnowieski (1973) concluded that only 27% of the business respondents were able to say that they have never been expected to compromise personal principles to conform to organizational standards. Furthermore, more than half the businessmen reported that they could see no decrease in the organizational pressures to conform to various unethical standards. The survey reveals a perceived ethical decay since a majority of the respondents argued that prevailing youth attitudes are symptomatic of a moral breakdown in American society.

Concerning the actions of top management, several writers have stated that top management sets the ethical tone for the organization. This has been implicitly referred to as "the organization ethic" by Alderson (1964), Westing (1984), and Pruden (1971). Weaver and Ferrell (1977), in their studies of marketing managers, called upon top management to "establish a policy as well as express a committment to ethical conduct." In a later paper, Ferrell and Weaver (1978) concluded that top management must assume at least part of the responsibility for ethical conduct of marketers within their organization. The authors went on to state that top management must establish and enforce policies, thereby developing a frame of reference for ethical behavior.

Similarly, Kaikati and Label (1980), in their examination of American bribery legislation, concluded that no code of ethical behavior is likely to be observed unless the chief executive officer declares that violators will be punished. When a company fails to take strict disciplinary action, many employees assume that their unethical acts are accepted standards of corporate behavior.

Ferrell and Weaver (1978) compare the ethical beliefs of marketing managers with those of top management. The important finding of their study is that respondents believe that they make decisions in an organizational environment where peers and top management have lower ethical standards than their own. Also, respondents believe that the existence and enforcement of corporate policy do not encourage more ethical conduct than their existing personal beliefs. Actually, it is perceived that the existence and enforcement of corporate policy sanctions less ethical conduct than respondents believe is appropriate.

In studying the correlates of salespeople's ethical conflict, Dubinsky and Ingram (1984) found that role conflict, role ambiguity, length in present position, length in sales, level of education, major source of income, and intensity of market competition were unrelated to salespeople's ethical conflict. Because all the variables in their study were found to be unrelated to ethical conflict, Dubinsky and Ingram list several additional variables that may be related to ethical conflict and should be the focus of future research. Among these variables are:

intrapersonal	–	sex, personality
interpersonal	–	kinds of customers contacted, power
organizational	–	span of control, closeness of supervision, quality of sales training programs
environmental	–	current economic conditions, primary demand for the product.

In replicating the Ferrell and Weaver studies using Israeli managers, Izraeli (1988) concluded that the best predictor of managers' ethical behavior is their perceptions concerning their peers' behavior.

Weaver and Ferrell (1977) surveyed marketing practitioners and found that the existence and enforcement of corporate policy may improve some ethical beliefs and behavior. That finding challenged the findings of Brenner and Molander (1977) that company policy is a somewhat secondary influence in ethical beliefs and behavior. According to Vitell (1986) this study is important in that it studied the importance of organizational sanctions on individual ethical behaviors.

Finally, Laczniak and Inderrieden (1987), using an experimental design, studied the influence of "stated organizational concern" for ethical conduct upon managerial behavior. According to the authors, "only in the case of suggested illegal behavior tempered by high organizational concern were managers influenced by organizational policy to modify the morality of their actions" (p. 297).

2. *The ethics of future executives*

There are those who believe that business schools have the opportunity to influence the ethical behavior of tomorrow's business leaders. Others are convinced that today's business students are more ethical than present day managers.

A study by Goodman and Crawford (1974) failed to find any meaningful difference in the ethical behavior of marketing executives, MBA students, and undergraduate business students. These results did not support the belief that students are more ethical than managers. Goodman and Crawford tried to determine to what extent the emerging ethics of the younger generation may have influenced their attitudes toward various potential business practices of the established order. They surveyed both business students and marketing executives to see the differences in ethical perceptions between the two groups. The results showed that business students do not represent an upcoming influx of new ethical standards, since their ethical standards were not significantly different from the marketing executives. In the same study, a comparison of the business student with liberal arts students arts did show a significant difference, although liberal students were slightly more critical of certain business practices.

Purcell (1977), using a slightly different approach than Goodman and Crawford, found that a group of students who took his management ethics course were less ethical when they took the course than they were a decade later. Purcell's conclusion was that greater ethical consciousness and sophistication developed through business experience. A more recent study by Arlow and Ulrich (1982) sampled 120 undergraduate business students. A comparison of the students with a group of business executives revealed that students had lower personal business ethics than did the executives. These results are consistent with those of Hollon and Ulrich (1979), who found the personal business ethics of managers actually exceeded those of business students. Similar results were reported by Stevens (1984), using a questionnaire developed by Clark (1966).

Beltramini *et al.* (1984) surveyed 2856 students and found that college students are quite sensitive to ethical issues, major, years in school, or gender. In addition, female students are more concerned about ethical issues in business than their male counterparts. Similar results were reported by Jones and Gautschi (1988).

Krackhardt *et al.* (1985) studied MBA students in an effort to discover the determinants of the student's judgements regarding ethical issues in business. They found that MBA students are utilizing a utilitarian perspective in analysing ethical issues in business. Regarding codes of ethics the authors concluded that:

> . . . Within a business context, witnessing unethical behavior does not seem to carry any heavy responsibility for reporting the behavior. This finding may explain why there is such controversy over 'whistle-blowing' in organizations. Although organizations may encourage employees to report unethical behavior, it is clear that failure to report such behavior is not considered highly unethical . . . (p. 14)

3. *Relationship between ethical behavior and profitability*

Several CEOs have come to the conclusion that ethical business is good business. Donald V. Seibert, CEO and Chairman of J. C. Penny, is quoted as saying, "in the long run, the best business decision is that which is founded on the most ethical judgements" (Solomon and Hanson, 1985, p. xi). In addition, Rance Crain (1983), President of Crain Communications and Editor-in-chief of Advertising Age, argues that "business ethics makes good business sense . . . ethical business conduct is a pragmatic, no-nonsense, bottom-line way of running your business for the long-term welfare of everybody involved."

Powers and Vogel (1980), and Callahan and Bok (1980) argue that the linking of managerial competence with moral competence should be the major goal of any course in business ethics.

Hill (1977) argues that public opinion and ultimately the long term survival of the firm depend partly on keeping high ethical standards in its business dealings, and partly on being honest in its statements of public concern.

Solomon and Hanson (1985) argue that ethical behavior promotes improved performance in the organization. They claim that "the most powerful argument for ethics in business is success. Ethical businesses are successful businesses" (Solomon and Hanson, 1985, p. 22).

Ohmann (1955) argues that businesses should acknowledge that "idealism" is not only for holy days but should be part of the everyday business routine. Such an acknowledgement, argues Saul (1981), will entail corporate decision makers conceding that they can be ethical and still stay in business, and ridding themselves of the notion that the only truly ethical companies are those that are also going out of business. Business leaders must realize that ethical behavior is good business (Miller, 1979). It results in greater drive and motivation, it attracts better quality people who appreciate working with a respected company; and it improves relations with customers, competitors, and the public.

In a recent literature review of the relationship between profitability and social responsibility, Abratt and Sack (1988) concluded that "organizations who adopt the societal marketing concept will be the ones most likely to make long-run profits as well as be beneficial to society as a whole" (p. 497).

Friedman and Friedman (1988) propose a framework for organizational success in which the marketing concept must work together with good management approaches and ethical business practices in order for the organization to be successful in the long run.

Sturdivant and Ginter (1977) surveyed 130 senior executives of various corporations. Managers with the most profitable corporations tended to be more favorable toward minorities, the poor, and other aspects of human rights than were executives in the less profitable firms. Johnson (1981) interpreted these results as meaning that "profitable business is, by and large, ethical business."

Sturdivant and Ginter examined the profitability of companies that are high and low in social or ethical performance. The authors in their findings implied that "ethical" firms are profitable firms. This implied causation of being "ethical" leading to higher profits does not stand in firm grounds in that the same relationship can be explained by reversing the causal flow. In other words, firms that are profitable can "afford" to be more "ethical."

As seen before, Purcell (1977) argued that "good ethics is good business in the long run" even though he admitted that this is not always true in the short run. But however difficult the trade-off is, ethics must prevail if the free market system is to survive.

Palmer (1986) cites a study that concludes that permeating an entire organization with negative ethical attitudes can result in "increased labor costs, loss of goodwill, major losses due to theft, purposefully counterproductive behavior, and direct market share losses."

In the international market arena, Barry (1979) found that the multinational corporations that have not had serious improper payments problems are also among the leaders in their industries and enjoy a strong competitive advantage over the corporations that were involved in unethical payoffs.

A different opinion is expressed by Learned *et al.* (1959), who conclude that the view that good ethics is good business is not a fully adequate or satisfying guide for action.

Finally, the subject of how ethical dilemmas on the job would affect worker productivity will not be dealt within this paper. For the most current critique of the literature on the subject and recommendations for future research, see Moser (1988).

4. *Social marketing ethics*

Murphy *et al.* (1978) made a distinction between marketing ethics and social marketing ethics and offered guidelines for both social and business marketing. Similar arguments were presented in an article in the *Journal of Marketing* a year later about the ethical dimensions of social marketing (Laczniak *et al.*, 1979). In a related article, Laczniak *et al.* (1981) confirmed the hypothesis that certain marketing techniques were considered less acceptable for political candidates and drug education than for the selling of soap, dishwashers, or TV dinners.

In yet another article, Lusch *et al.* (1980) tested the hypothesis of whether the public is able to make a distinction between the "ethics of social ideas" versus the "ethics of marketing social ideas." Their results showed that individuals cannot totally separate the social idea from the marketing technique used to promote the idea. Consumer advocates would probably argue that professional marketers must assume partial responsibility for the impact of any social program or idea which has been professionally marketed. They would suggest the marketer is as responsible for subsequent actions as the gun shop owner who illegally sells a handgun to a minor. Finally, they also found that certain social issues are more likely to foster strong ethical concerns than others.

5. *Cross-cultural studies*

As was argued in the introduction, most ethically sensitive marketing decisions fall into the "gray" area, where the difference between an ethical and an unethical action is not so clear, creating an ethical dilemma about which action to choose. This ethical dilemma facing business people is further compounded by two other factors. The first is that historically the ethical yardstick for business has been profit – the bottom line. Milton Friedman expresses the view that there is one and only one social responsibility of business – to increase its profits for the benefit of the stockholders (Friedman, 1962).

The second factor is that business is continually getting more complex and intertwined with other publics than in the past. With more and more companies expanding into foreign markets, the problem of cross cultural ethics is getting more prevalent. Business practices that are considered ethical in the U.S. are not viewed as such in different cultures. How different cultures view various business practices has only been given slight attention by the ethics literature.

England (1975) believes that people brought up in different cultures hold different values and ethical beliefs (the moral dimension of personal values). McClelland (1961) studied the achievement motive in different countries and concluded that different cultures have different effects on business practices. Although McClelland does not treat the topic of ethics as such, he states that the diverse value patterns and religious beliefs pointed toward the diversity of ethical beliefs among different cultures. Textbooks in international business are filled with examples warning international managers of potential cultural conflicts. For example, the way Hindus view business would be different from the way Christians view business. Terpstra (1978) points out that Hindus are taught that concern with earthly achievements is a snare and a delusion, while Christians praise the value of hard work and achievement.

Similarly, Prasad and Rao (1982) argue that, although certain ethical norms such as honesty, integrity, self-discipline, loyalty, and compassion are widely proclaimed and are part of any civilization, adherence to these standards varies greatly among people.

The majority of the cross-cultural studies in marketing ethics have been "coincidental;" meaning that culture was not the main variable of focus in the study. Two such studies are by Hegarty and Sims (1978, 1979).

Hegarty and Sims (1978) regard ethical decision making as a phenomenon of learning. As such, it may be possible that ethical behavior can be strengthened or weakened, according to environmental consequences of the behavior reinforcement theory of Skinner (1938, 1953, 1969). More specifically, the authors hypothesize that: (1) when unethical behavior is followed by a positive reinforcement (reward), subsequent decisions tend to be less ethical than the nonreward conditions; (2) when unethical behavior is followed by the "threat of punishment," subsequent decisions become more ethical; (3) competitiveness tends to increase unethical decision making; and (4) some personality and demographic variables, used as covariates in the experiment, explain a significant variance in ethical decision making.

The msot significant of these covariates is "foreign nationality" ($F = 8.74$), followed by "Machiavellianism" ($F = 7.63$), "economic values orientation" ($F = 5.43$), "locus of control" ($F = 4.84$), and "political value orientation" ($F = 3.84$). Other variables such as sex, extraversion, neuroticism, and religious value orientation were not significant covariates.

Foreign nationals, comprising 20% of a sample of 120, were found to be significantly less ethical than U.S. nationals. But according to the authors, "the finding that foreign nationals were more unethical was ambiguous but interesting and deserves much further investigation." Similar results are found in two subsequent experiments (Hegarty and Sims, 1979). In all three experiments, Hegarty and Sims make the mistake of grouping all foreign nationals in one group, as if they are homogeneous. But if we accept the premise that culture and its values have an effect on the individual's ethics, we would expect individuals with different cultures to have different ethical beliefs and different ethical behavior.

Tat (1981) replicate, the study of Hawkins and Cocanougher (1972) using black students. Tat argues that previous studies found business students more tolerant of questionable business practices than non-business students (Hawking and Cocanougher, 1972; and Shuptrine, 1979). However, Tat's study provides conflicting results. Black business majors are not more tolerant of questionable business practices than are nonbusiness majors. Tat attributes that difference between black and white students to the type of environment under which these two groups of students were raised. Tat argues that:

> the majority of minority students, regardless of majors, were raised under a disadvantaged environment and had been exploited. The unpleasant experiences may lead them to have such deep-rooted attitudes toward the business community that the exposure to a business education could not change their perceptions of business practices.

In addition, Tat concludes that the mean ratings of both business and nonbusiness majors in his study are lower than those in Hawkins and Cocanougher's study. Tat explains that difference as follows:

> being raised under a disadvantaged environment, the minority students may view the situations presented to them as mild, compared to their actual experiences in dealing with merchants in low income areas.

The important finding of this study is that the ethical perceptions of black subjects are different from the ethical perceptions of white subjects. In other words, members of different subcultures have different ethical beliefs.

The only cross-cultural study in business ethics that had culture as its focal variable is by Kam-Hon Lee. Lee (1981) studies the impact of culture and management level on ethics in marketing practices. In his study, he compares the ethical beliefs of Chinese managers with the ethical beliefs of British managers working in Hong Kong. He hypothesizes that the culture in which a manager is brought up plays a significant role in ascertaining the differences of ethical practices. However, neither a significant effect due to culture, nor a significant interaction effect of the two independent variables (culture, level of management) was found in any of the ten scenarios used. That led Lee to conclude that the evaluation frameworks of British and Chinese managers is extremely similar. Lee attributes that finding to a possible acculturation of the British managers. The author argues that the British managers practiced the principle of "when in Rome, do as the Romans do."

Kam-Hon Lee's findings seem to contradict the widely accepted view that people raised in different cultures hold different ethical beliefs (England, 1975). Two recent studies seem to support Lee's (1981) findings. Tsalikis and Nwachukwu (1988) compare the ethical beliefs of black and white business students and found them to be, with a few exceptions, quite similar. In a similar study, Tsalikis and Nwachukwu (1989) found that, despite the cultural differences, Greek business students had similar ethical beliefs with their American counterparts.

6. *Surveys of various publics*

This branch of the ethical literature includes surveys of various groups in order to determine whether they consider certain business practices as "ethical" or "unethical." Groups surveyed include business executives from various types of business, business and nonbusiness students (both graduate and undergraduate), and comparisons among business executives and students.

Vitell (1986) argues that the majority of these studies measured only people's beliefs and opinions without having a theoretical or conceptual foundation. However, Vitell finds these studies useful to the extent they provided an insight to the ethical decision making process and to the development of a positive theory of ethical decision making.

The best known surveys were by Baumhart (1961), Brenner and Molander (1977), and Caroll (1975). The results of these studies were reported previously under the heading "causes of unethical behavior" and need not be repeated here.

Another important study is Sturdivant and

Cocanougher's 1973 survey of corporate executives, business school students, blue collar workers, and housewives. These four groups were asked to evaluate the ethics of various business practices. The results revealed that there is a substantial "ethical gap" between the ethical perceptions of these four groups. This gap was more obvious between housewives and corporate executives.

Hawkins and Cocanougher (1972) compared the ethical views of undergraduate business and nonbusiness majors. The two groups were questioned about their ethical beliefs on 20 scenarios involving ethical issues. The results showed that business students rated many questionable practices more "ethical" than did nonbusiness majors. This permitted the authors to argue that the pursuit of a business education will lead to relatively more tolerant attitudes toward questionable business practices. An additional hypothesis that a student's father's career would have an effect on his/her ethical perceptions was not accepted.

In a series of articles in the *Wall Street Journal*, based on a WSJ/Gallup survey, Ricklefs (1983) reported that business executives and general citizens often see ethical issues very differently. On many issues, the executives apply a far stricter ethical standard, at least in the abstract. In addition, citizens were considerably more inclined than executives to condone wrongdoing if there are mitigating circumstances. Despite that, a large share of surveyed citizens have adopted a cynical view of the ethics practiced by the country's business leaders. More alarmingly for employers, people who condemn taking advantage of an individual commonly seem to shrug their shoulders over doing the same thing to an employer.

In the same survey, young Americans consistently indicated that they are more likely to take an unethical path than their elders. Women were found to behave consistently more ethically than men. In addition, Americans who attend a church or feel a religious affiliation appear only slightly more ethical than their less-pious compatriots.

Posner and Schmidt (1984) surveyed 1460 executives in an effort to learn something about their values. They concluded that, contrary to popular opinion, profit maximization and the stockholders are not the main focus of business executives, but the public-at-large and the government were paid substantial attention. In addition, the authors found that pressures to conform to organizational standards were perceived as very strong, without any hope of these pressures diminishing in the future.

Clinard (1983) studied middle-level managers using a series of interviews. Although no statistical analysis could be performed to that data, several inferences were drawn. Among these inferences were: (a) the CEO sets the ethical tone for the whole organization – a result which is shared by Dagher and Spader (1980); (b) pressures to show profits were substantial enough to lead to unethical behavior, and (3) corporate codes of ethics are not sufficient and government intervention is necessary. Another less well-structured series of interviews of top executives was performed by Silk and Vogel (1976).

Krugman and Ferrell (1981) surveyed the ethical perceptions of advertising practitioners, advertising agency account managers, and corporate advertising managers. In addition to presenting their own beliefs, respondents were asked to assess the ethical beliefs of peers and superiors. The results indicated that respondents believe they are more "ethical" than their peers. On the other side, respondents reported that their superiors have the same or higher ethical standards than themselves. Corporate advertising managers believe their advertising agency counterparts hold lower ethical standards than their own. The converse did not hold true.

In a survey by Neill (1965); both the general public and business executives rated advertising and public relations executives below professionals, small businessmen, average workers, and federal workers. Business executives rated themselves just below scientists, who are in the first place, and rated labor union officials the lowest. The general public assigned the best ethical reputation to banks, telephone companies, life insurance companies and electric utilities. The respondents felt that automobile dealers, advertising agencies, and cosmetic and drug firms were the most guilty of misleading advertising, claims and promotions, high prices, and poor quality products. A survey of business by Harris *et al.* (1966) indicated that more than half the general public approved of the way government is regulating business. In other words, the general public felt that corporate executives are too business oriented and care little for the individual.

Dornoff and Tankersley (1975) surveyed both retailers' and consumers' perceptions of retailers' actions taken in market transactions. This particular study did not explicitly deal with the ethical dimensions of the retailers' actions but the study's design justifies its placement in the ethical literature.

Trawick and Darden (1980) surveyed marketing educators' and practitioners' perceptions of ethical standards in the marketing profession. The results revealed that marketing practitioners felt that they are as ethical as those in other professions. Marketing educators, on the other side, were more slightly skeptical about the ethical standards of the marketing profession. However, this difference in opinion was not significantly different. Vitell (1986) observed that in both the Krugman and Ferrell (1981), and Trawick and Darden study "both practitioners and educators have a basically teleological ethical perspective."

Browning and Zabriskie (1983) surveyed members of a state purchasing association to gain insights into their ethical beliefs and behavior. Their results showed that industrial buyers had a high level of ethical beliefs and an even higher level of ethical behavior when specific situations are referenced. On the other hand, there was some evidence that giving favors may still be part of doing business with some buyers.

Dubinsky *et al.* (1980) compared the ethical perceptions of industrial salespeople and business students. Their results showed a significant difference between salespeople's and business students' perceptions of ethical issues facing industrial salespeople. Students see more situations as raising ethical questions than salespeople do. They also feel a greater need to have a company policy addressing several of the selling situations examined. Interestingly, students perceive the giving of gifts to a purchaser as less ethically troubling than salespeople.

Wood *et al.* (1988) compared the ethical attitudes of students and business professionals. The results show that students are significantly more willing to engage in unethical behavior than their professional counterparts.

The majority of the above articles have surveyed business people or business students. Both of these groups represent the producer's side of the market. Davis (1979) argues that, in addition to their rights, consumers also have certain ethical responsibilities. These responsibilities are to offer intelligent suggestions and complaints when necessary to business, to use information that is available from labels, owner's manuals, etc., and to be honest and fair in all dealings and call attention to errors that are to their disadvantage as well as those that are to their advantage.

In a related article, Stampfl (1979) developed a consumer's ethical code based on ethical principles borrowed from disciplines such as economics, sociology, law, psychology, marketing, and political science. Stampfl's ethical code is quite similar to Davis's consumer responsibilities.

In a survey of management's attitudes on corruption in business, Pitt and Abratt (1986) found that while their sample of top and middle managers condemned corruption and corruptive practices, the perceived participation by their peer group was higher than expected.

Additional surveys were conducted on marketing executives (Crawford, 1970 – reported under marketing research), sales personnel (Dubinsky *et al.*, 1980 – reported under sales management), and purchasing managers (Rudelius and Buchholz, 1979; Cummings, 1979; Dempsey, Bushman and Plank, 1980 – reported under purchasing management).

Ethical differences between males and females. The phenomenon of women rising to top management positions is a relatively new one. According to *Time* (March 10, 1984), very few women pursued careers in management sixteen years ago. Because of this the majority of ethical studies focused on male managers. As more and more women entered the ranks of top management, the question of their ethical reactions versus their male counterparts came into prominence.

Kidwell *et al.* (1987) studied the differences in ethical perceptions between 50 male and 50 female managers. They found that ethical perceptions between males and females are quite similar. However, when they rated the ethical behavior of the other sex, females rated males as being significantly less ethical than themselves and vice versa. Similar results were reported by McNichols and Zimmerer (1985).

On the other side, Beltramini *et al.* (1984), in a survey of students' concerns regarding business ethics, found that female students are more concerned about ethical issues than are their male counterparts.

Similarly, Jones and Gautschi (1988) argue that women MBA students are more sensitive to ethical issues than their male counterparts. Women also "display a greater tendency to take action when they perceive a questionable business practice . . . As women managers become commonplace, it may well follow that corporate behavioral norms will be affected positively" (Jones and Gautschi, 1988, p. 245).

These studies/surveys were attacked from three sides:

(1) An article by Morgan (1981) questions the methodology used in most of the empirical studies in marketing ethics. Morgan contends that differences found among the various groups might be the result of the experimental design used, rather than actual differences. In Morgan's words, ". . . if one desired to show that housewives disagreed extensively with the business community, one could package a series of hypothetical situations to support this contention" (1981, p. 238).

(2) Reidenbach and Robin (1986) criticize the use of a seven or five point Likert scale ranging from "very unethical" to "very ethical" to measure respondents' ethical perceptions. The authors propose that ethical measurements should be treated as dichotomous and interval level variables. According to Reidenbach and Robin:

> if a marketing practice is somewhat, marginally, or mostly ethical it also stands to reason that, at the same time it would be somewhat, marginally, or mostly unethical. This leaves one in the perplexing position of reconciling the question of how an act or activity can be both ethical and unethical when judged by the same individual.

(3) Vitell (1986) criticizes most of the previous studies as lacking a strong theoretical foundation. According to Vitell:

> none of the studies reviewed was concerned with establishing any kind of positive theoretical framework that could be used to explain how decision makers choose particular courses of action in situations having ethical content.

Because of that, Vitell (1986) set out to develop a positive model or theory of marketing ethics.

Studies leading to a positive theory of marketing ethics

The most recent development in the business ethics literature should be credited to Hunt, Vitell, and some other researchers attempting to develop a "positive" theory of marketing ethics. Following Vitell's (1986) lead, the articles leading to the development of this positive theory will be divided into (1) conceptual, and (2) empirical.

Conceptual studies

Kohlberg (1981) studied the meaning and measurement of moral development influenced by the work of Jane Loevinger on the meaning and measurement of ego development. Kohlberg hypothesized that people go through six stages of moral development. These are:

1. The stage of punishment and obedience – where right is the literal obedience to rules and authority.
2. The stage of individual instrument purpose and exchange – where right is serving one's own needs and making fair deals.
3. The stage of mutual interpersonal expectations, relationships and conformity – where right is being concerned about others, keeping loyalties and being motivated to follow rules.
4. The stage of social system and conscience maintenance – where right is doing one's duty to society.
5. The stage of prior rights and social contact or utility – where right is upholding the basic rights, values, and legal contracts of society.
6. The stage of universal ethical principles – where right is determined by universal ethical principles that all should follow.

One of the major caveats of Kohlberg's theory is that it was developed with psychology in mind and, as many other theories transplanted from psychology to marketing, might be unreliable.

The major contribution of Kohlberg is that individuals may behave differently in similar ethical situations over time. This might occur because these individuals have progressed to another ethical stage in their moral development.

Stassen (1977) presented a streamlined version of Ralph Potter's analytical scheme for portraying the main elements involved in justifying an ethical decision. Stassen's model is presented in Figure 6. According to Figure 6, a particular ethical judgment is affected by four dimensions. These dimensions are:

1. The empirical definition of the situation – it includes various situation-specific variables (such as perceived risk and legitimacy of various alternative courses of action) that might affect the individual's perception of the situation.
2. The moral reasoning dimension – it includes the three major normative theories of ethics, rule-deontological, act deontological, and teleological, and adds that of divine command, "where principles are justified because they are God-given" (Vitell, 1986, p. 35).
3. The theological dimension – one explanation of this dimension is that ethical thought requires some answer to the existential question, "Why ought I be moral?"
4. The loyalties dimension – it focuses on the groups that might influence the individual's ethical perceptions.

This model was criticized as normative and empirically untestable. However, the main contribution of the above model, is that it can be used in grasping the most important elements in reasoning about moral decisions.

Dayton (1979) argues that, even in ethical situations, individuals will attempt to maximize their utilities. In addition, Dayton argues that these "utility maximizers" might "adopt cooperative strategies in order to solve mutual problems, and that the adoption of cooperative strategies can produce optimal mutual outcomes for the cooperators" (p. 131–132). Dayton seems to recognize the importance of others to the individual faced with an ethical decision, even though he is mainly concerned with the maximization of his own utility.

Alderson (1965), in his theory of marketing systems argues that there exist three types of sanctions imposed on the individual decision maker. These sanctions are: (1) organizational sanctions – sanctions imposed by your supervisors for example, (2) market sanctions – sanctions imposed by the marketplace, and (3) ecological sanctions – sanctions imposed by the society as a whole. Even though Alderson presented his theory as a normative one,

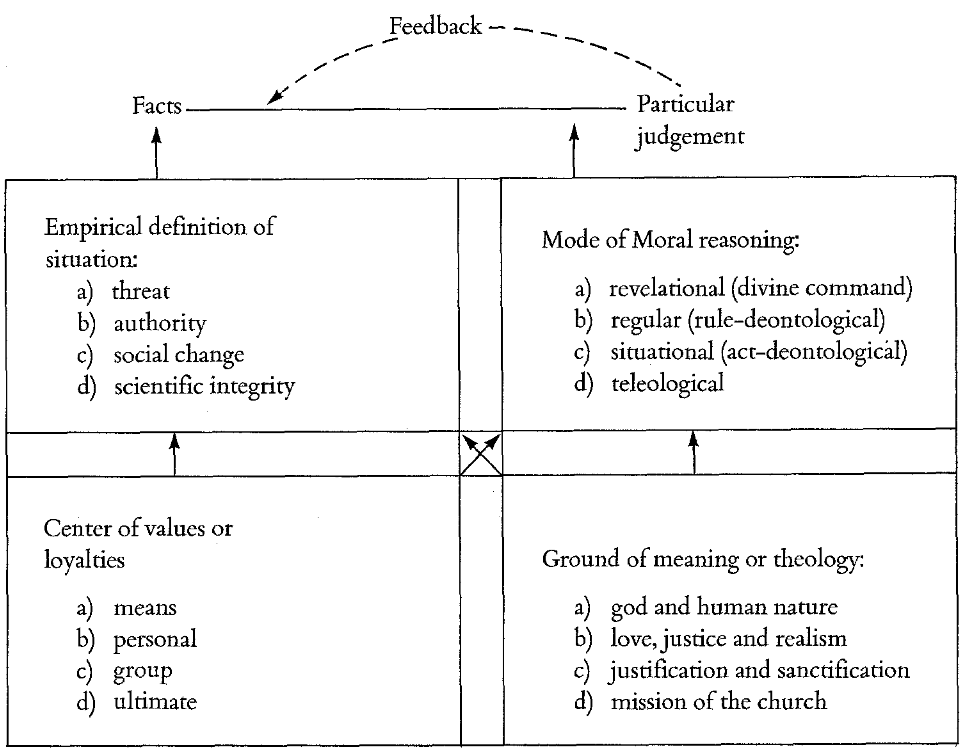

Fig. 6. Elements involved in justifying an ethical decision (Stassen's model).

his conceptualizations can be used for the development of a positive theory of ethical decision making.

Empirical studies

The previous studies, even though normative in nature, set the stage for the development of a positive theory of marketing ethics. Other studies, however, approached the question of ethical decision making from the positive side.

Mayer (1970) was concerned with the causes of unethical behavior among purchasing managers. Mayer argued that purchasing managers will be more prone to act "unethically" if certain conditions exist. These conditions are: (1) the individual's inclination toward "unethical" behavior, (2) the expected penalties versus the expected gains of the behavior, and (3) the opportunity to engage in unethical practices. Numbers one and two were later studied by Hegarty and Sims (1978 and 1979). Hegarty and Sims conducted a laboratory experiment using graduate business students to study ethical decision making under different contingencies of reinforcement. They found that "when subjects were rewarded for unethical behavior, the unethical behavior was higher than when subjects were not rewarded" (1978, p. 451). Increased competition also tended to promote unethical behavior.

Finally, their results indicated that four personality variables (locus of control, economic and political value orientation, and Machiavellianism) acted as covariates of unethical behavior. The second experiment by the same authors confirmed the notion that personality variables are related to unethical decision making. In addition, they found that an organizational ethics policy significantly reduced unethical behavior. In both studies, foreign nationality was found to be related to unethical decision behavior.

Zey-Ferrell *et al.* (1979) utilized Sutherland's "differential association" model (Sutherland, 1970) to predict unethical behavior among marketing practitioners. The authors used Newstrom and Ruch's 17-item scale to develop six types of predictor variables. These variables are: (1) the marketer's beliefs; (2) what the marketer thought his peers believed; (3) what the marketer thought top management believed; (4) what the marketer thought his peers did; (5) the opportunity the marketer thought his peers had to become involved in unethical behavior; and (6) the opportunity the marketer himself had to become involved in unethical behavior. Their findings showed that the marketer's perceptions of what his/her peers did and his/her own opportunity to commit unethical behavior were the best predictors of actual unethical behavior. Their results seem to indicate that the individual's own attitudes are important in predicting unethical behavior. This finding contradicts Hegarty and Sims's assertions that various personality variables were significant covariates of unethical behavior.

These findings were represented by the authors in their "model of differential association plus opportunity" (Figure 7). According to this model unethical behavior comes about in two ways. First, the individual may behave unethically after having altered his own definition or attitude toward the behavior due to peer pressure. Second, the individual may behave unethically without any change in the way he perceives the behavior. Similar findings were reported in later articles by the same authors (Zey-Ferrell and Ferrell, 1982; Ferrell, Zey-Ferrell and Krugman, 1983).

The Zey-Ferrell and Ferrell, 1982 study expanded the model to include interorganizational influences. The results showed that interorganizational influences were not significant. In other words, reference groups that are "closer" to the individual had a greater effect on his behavior.

A more recent article by Ferrell and Gresham (1985) presented a positive model of ethical decision making in marketing (Figure 8). This model was criticized by Vitell (1986), who presented his own more comprehensive "marketing ethics model" (Figure 9).

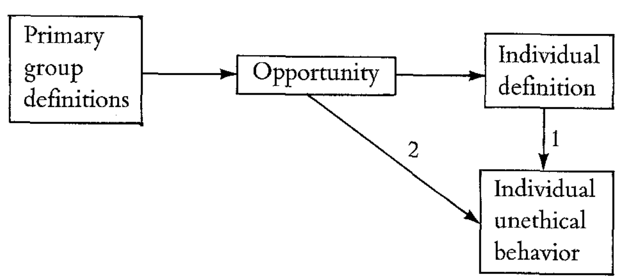

Fig. 7. A model of differential association plus opportunity.

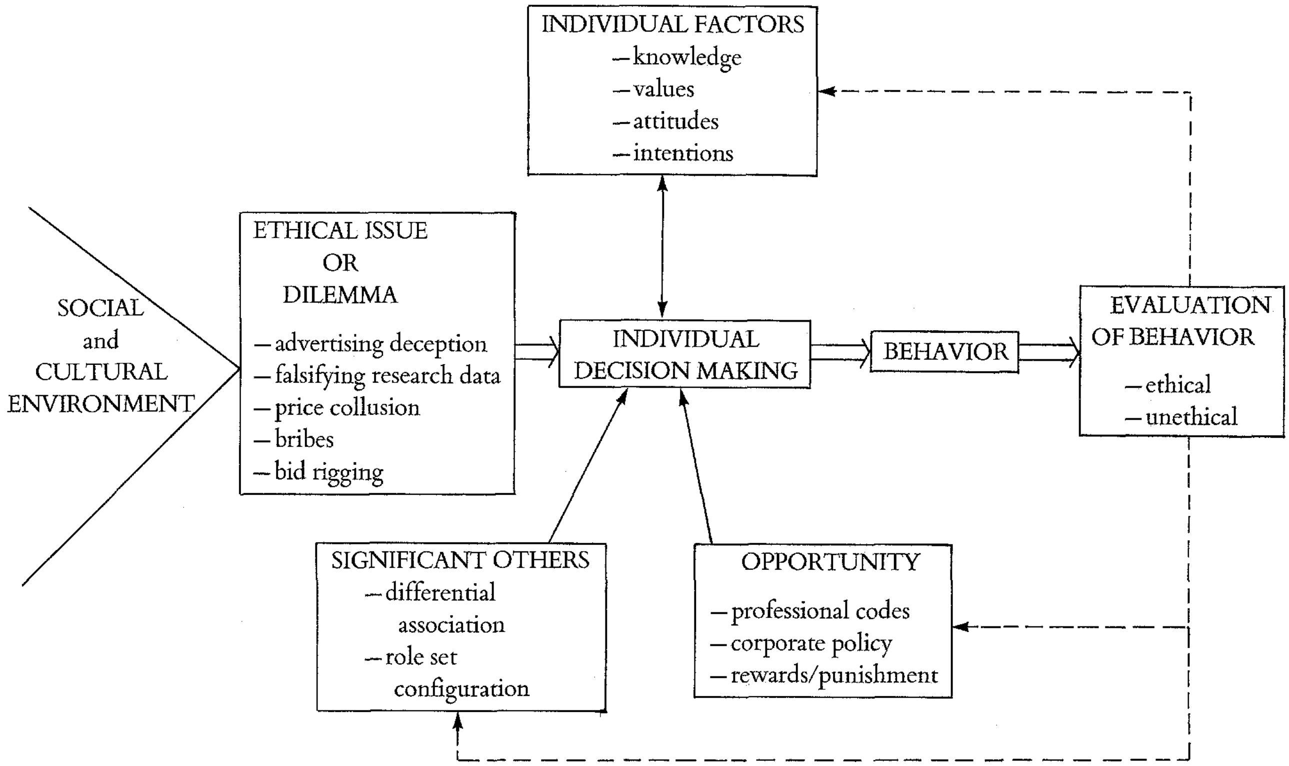

Fig. 8. A contingency model of ethical decision making in a marketing organization.

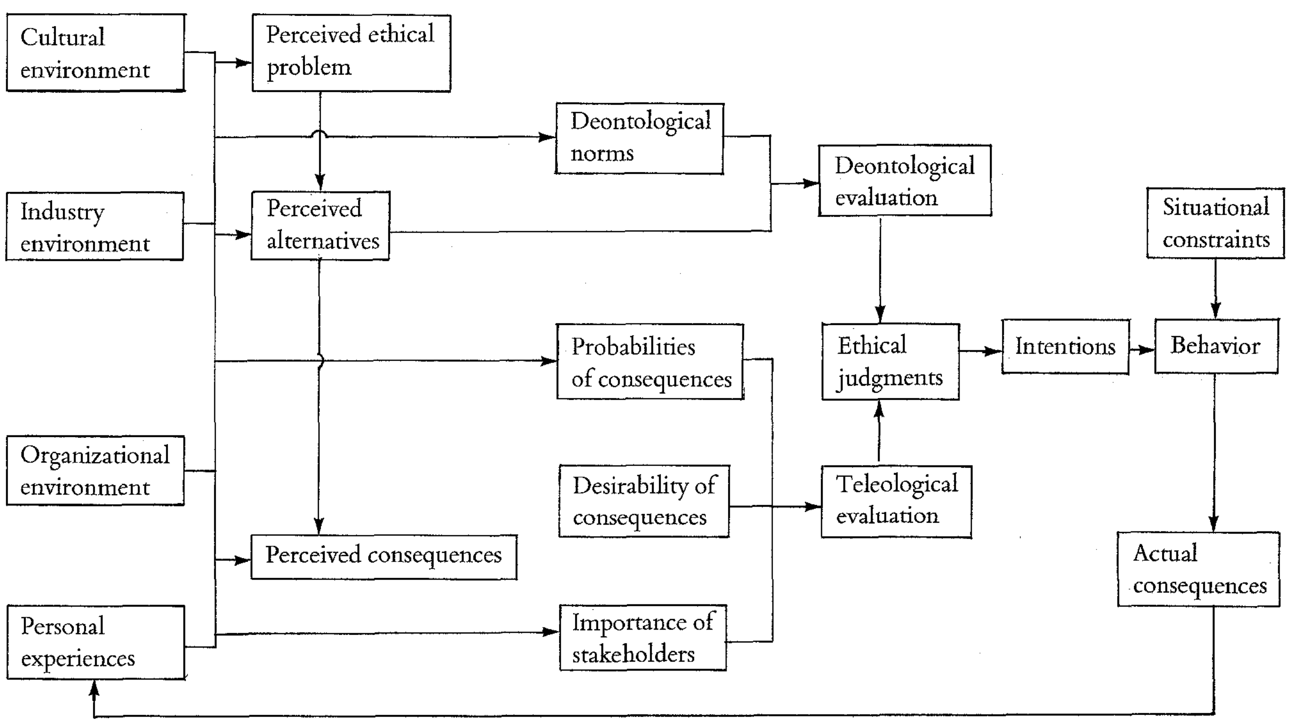

Fig. 9. Marketing ethics model (MEM).

Conclusion

The weaknesses of "scientific studies" of marketing ethics

There are two basic problems which reduce the utility of so-called scientific studies of marketing ethics and which must be addressed if we are to proceed to a higher level of study. These two problems have to do with (1) the pluralistic nature of moral philosophy and (2) the single global measures which marketers tend to use in obtaining evaluations of marketing activities.

The field of ethics contains a number of normative theories, many of which pose conflicting ideas, rules, and interpretations which, in trun, can lead to conflicting evaluations of what is ethical or unethical. These normative theories were presented in the introduction of this paper. Excellent discussions of these theories can also be found in both Beauchamp and Bowie (1983) and Donaldson and Werhane (1983). However, most marketing writers and researchers, if they even discuss the different ethical philosophies, tend to limit their discussions to the philosophies of utilitarianism and/or deontology (e.g. Hunt and Vitell, 1986; Ferrell and Gresham, 1985). These reductionistic approaches assume that individuals engage in some sort of cognitive calculus, invoking the tenets of either deontology or utilitarianism or possibly some hybrid of the two philosophies in making an ethical evaluation. Little, if any, consideration is given to the other competing strains of moral philosophy such as relativism, egoism, or justice.

For example, Fritzsche and Becker (1984) attempted to link management behavior with normative theories of ethics. They classify the responses of managers to a series of vignettes according to the normative ethical theory represented by the response. More specifically, following the presentation of each of five vignettes, respondents were asked to decide whether they would behave in accordance with the requested unethical behavior. After this decision, respondents reported the reasons why they would behave like this. These responses were classified according to the type of normative ethical theory they represented. The results show that the majority of the respondents use utilitarian logic to justify their decision. The utilitarian responses were equally divided between act and rule utilitarianism.

The major caveat of this study is that "when a complete response contained elements from several response categories, it was classified according to the first response category discussed" (p. 169).

In addition, Brady (1985) argues that both deontological theories of ethics and utilitarian theories of ethics have traditionally claimed to be the exclusive process through which ethical decisions are made. Brady contends that it is disconcerting to be offered an analytic framework that consists of a fundamental antagonism between formalism (a term Brady is using as equivalent to "deontological") and utilitarianism and then to be invited to "take your pick." Brady develops a model that views the two ethical theories of utilitarianism and formalism not as antagonistic but as complementary. According to Brady, the relationship between formalism and utilitarianism is not a "zero-sum relation", but one that can be described more as "division of labor." Using the two-faced Roman god Janus, Brady portrays the process of resolving ethical issues as simultaneously looking to the past, as well as to the future, with utilitarianism looking to the future and formalism looking to the past (See Figure 10).

In this model, ethical decision makers are presented as doing two things at once:

1. As formalists, they are looking to the cultural heritage established by law, language, and tradition and assessing the relevance and adequacy of the store of knowledge to the issue at hand.
2. As utilitarians, they are simply seeking to discover a solution that will give the best possible results according to some idea of what it means to be fully human. (Because the latter requirement is a notoriously difficult one, utilitarians usually 'liberalize' the requirement by surveying the personal preferences of all interested or affected persons, rather than explicating the concept of 'humanity').

Finally, Rest (1979) argues that individuals pass through a moral development process, ranging from Obedience ("Do what you are told") to "Nonarbitrary Social Cooperation" wherein individuals rely on abstract principles much like those which dominate utilitarian and deontological reasoning. Rest argues that the final stage of moral development wherein individuals rely on the prescribed notions of moral philosophy (e.g., deontology and utilitarianism) is one which is sought but not yet attained. The issue

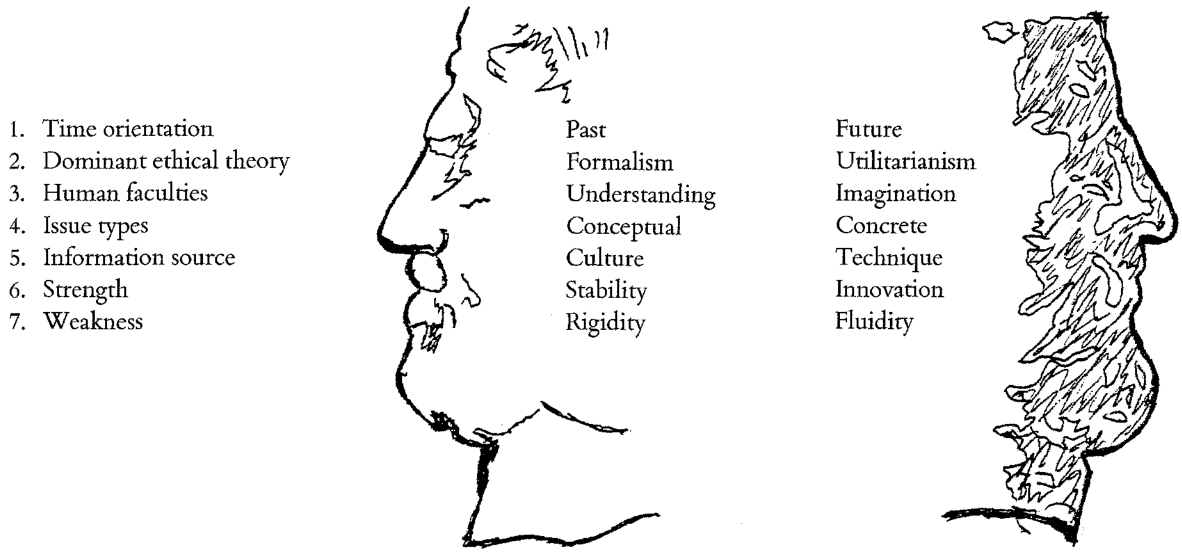

Fig. 10. A Janus-headed model of ethical process.

then becomes: should descriptive studies of marketing rely solely on the normative philosophies of deontology and utilitarianism?

The second problem concerns the instrumentation used to assess the evaluations. Typically, marketers rely on a single global measure of the ethics of a marketing situation. Measuring usually occurs on a seven point ethics scale anchored by such adjective phrases as "not at all unethical" to "very unethical" or form "ethical" to "unethical." A single measure is highly unreliable (Kerlinger, 1986, p. 415; Nunnally, 1967, p. 192) and unreliable measures are heavily error laden. Thus the results of research, using single global measures of the ethical evaluation of given marketing activities, are questionable.

A second aspect of the global measure problem is that it does not or can not detail the dynamics of the evaluation. This means that it is impossible to understand the ethical perspectives that are invoked in making the evaluation. Is the individual using a relativist, deontological, utilitarian perspective or some other set of criteria in making the evaluation? A single global measure is insufficient in revealing this information. If we are to improve our understanding of the evaluation process and if we are to make positive reactions to situations which warrant a reaction, it is important to address the problems inherent in the pluralistic nature of ethical theory and its measurement.

In order to solve these weaknesses of scientific studies of marketing ethics, Reidenbach and Robin developed an instrument that includes the theories of relativism, egoism, and justice in addition to utilitarianism and deontologicalism (see Appendix A).

Appendix A.

Sample Questionnaire

fair ____:____:____:____:____:____:____ unfair
just ____:____:____:____:____:____:____ unjust
culturally acceptable ____:____:____:____:____:____:____ culturally unacceptable
self promoting ____:____:____:____:____:____:____ not self promoting
efficient ____:____:____:____:____:____:____ inefficient

violates an unwritten contract	_____:_____:_____:_____:_____:_____:_____	does not violate an unwritten contract
OK if actions are justified by the results	_____:_____:_____:_____:_____:_____:_____	not OK even if the actions are justified by the results
compromises an important rule by which I live	_____:_____:_____:_____:_____:_____:_____	does not compromise an important rule by which I live
individually acceptable	_____:_____:_____:_____:_____:_____:_____	individually unacceptable
selfish	_____:_____:_____:_____:_____:_____:_____	unselfish
on balance, tend to be good	_____:_____:_____:_____:_____:_____:_____	on balance, tend to be bad
violates my idea of fairness	_____:_____:_____:_____:_____:_____:_____	does not violate my of idea fairness
results in an equal distribution of good and bad	_____:_____:_____:_____:_____:_____:_____	does not result in an equal distribution of good and bad
acceptable to people I most admire	_____:_____:_____:_____:_____:_____:_____	not acceptable to people I most admire
ethical	_____:_____:_____:_____:_____:_____:_____	unethical
duty bound to act this way	_____:_____:_____:_____:_____:_____:_____	not duty bound to act this way
produces the greatest utility	_____:_____:_____:_____:_____:_____:_____	does not produce the greatest utility
traditionally acceptable	_____:_____:_____:_____:_____:_____:_____	traditionally unacceptable
morally right	_____:_____:_____:_____:_____:_____:_____	not morally right
maximizes benefits while minimizing harm	_____:_____:_____:_____:_____:_____:_____	minimizes benefits while maximizing harm
obligated to act this way	_____:_____:_____:_____:_____:_____:_____	not obligated to act this way
leads to the greatest good for the greatest number	_____:_____:_____:_____:_____:_____:_____	does not lead to the greatest good for the greatest number
results in a positive cost-benefit ratio	_____:_____:_____:_____:_____:_____:_____	results in a negative cost-benefit ratio
violates an unspoken promise	_____:_____:_____:_____:_____:_____:_____	does not violate an unspoken promise
maximizes pleasure	_____:_____:_____:_____:_____:_____:_____	minimizes pleasure
self sacrificing	_____:_____:_____:_____:_____:_____:_____	not self sacrificing
acceptable to my family	_____:_____:_____:_____:_____:_____:_____	not acceptable to my family
prudent	_____:_____:_____:_____:_____:_____:_____	not prudent
under no moral obligation to act otherwise	_____:_____:_____:_____:_____:_____:_____	under a moral obligation to act otherwise
personally satisfying	_____:_____:_____:_____:_____:_____:_____	not personally satisfying
in the best interests of the company	_____:_____:_____:_____:_____:_____:_____	not in the best interests of the company

Overall, how would you rate the actions of
Would you say they were:

_____ ethical	_____ unethical
_____ proper	_____ improper
_____ right	_____ wrong
_____ responsible	_____ not responsible
_____ moral	_____ immoral
_____ just	_____ unjust

If you were responsible for making the decision that was just described in the scenario, what is the probability you would make the same decision?

highly probable _____:_____:_____:_____:_____:_____:_____ highly improbable

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