The Perceived Importance of Ethics and Social Responsibility on Organizational Effectiveness: A Survey of Marketers

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A necessary but insufficient condition for marketers to act ethically and be socially responsible is that they must perceive ethics and social responsibility to be important. However, little is known about marketers' perceptions regarding the importance of ethics and social responsibility components of business decisions. The objectives of this study are (1) to assess the marketing practitioners' perceptions regarding the importance of ethics and social responsibility in achieving organizational effectiveness, and (2) to analyze the relative influences of selected personal characteristics and organizational factors underlying a marketer's perceived importance of ethics and social responsibility. The results from a mail survey of American Marketing Association members indicate that the marketers generally believe that ethics and social responsibility are important components of organizational effectiveness. The results partly indicate that there is a positive relationship between a marketer's corporate ethical values and his or her perceptions regarding the importance of ethics and social responsibility. The results also indicate that the marketers' perceptions regarding ethics and social responsibility can be explained by idealism and relativism.

According to Levitt (1986), to say that the purpose of business is to make a profit is "morally shallow." As he stated, "If no greater purpose can be discerned or justified, business cannot morally justify its existence" (p. 7). Although there is still considerable debate over the desired degree of business responsibility beyond making a profit, many writers call for ethical and socially responsive practices in business (e.g., Frederick, Davis, and Post 1988; Luthans, Hodgetts, and Thompson 1984). The functional area within business that is more likely to receive the greatest social criticism is probably marketing, in part because, as Robin and Reidenbach (1987) pointed out, there has been limited adoption of social responsibility and business ethics by marketing practitioners. They recommend that organizations incorporate these concepts into their strategic marketing planning process. Consistently, in his address to marketing educators at a national conference of the American Marketing Association (AMA), AMA's former Chairman of the Board William D. Neal expressed concern that marketers are losing the confidence of the consumers, and he called for an increased focus on the ethical applications of marketing knowledge (AMA 1991).

To effectively enhance ethical and socially responsible practices in marketing, it is important for managers and policymakers to have a better understanding of the market-

ers' ethical/socially responsible decision processes. In the last decade, some progress has been made, with an increase in theoretical work (e.g., Dubinsky and Loken 1989; Ferrell and Gresham 1985; Ferrell, Gresham, and Fraedrich 1989; Hunt and Vitell 1986, 1993), as well as empirical work (e.g., Mayo and Marks 1990; Reidenbach and Robin 1990; Singhapakdi and Vitell 1990, 1991; Vitell and Hunt 1990). However, little is known about the marketers' ethics/socially responsible attitudes, particularly regarding how marketers perceive the importance of ethics and social responsibility components of business decisions.

Based on work by Steiner (1972), Robin and Reidenbach (1987) explained that corporate social responsibility is "related to the social contract between business and the society" (p. 45). The observation by Steiner (1972, p. 18) regarding the social contract was paraphrased: "At any one time in any society there is a set of generally accepted relationships, obligations and duties between the major institutions and the people." According to Robin and Reidenbach, business ethics "requires that the organization or individual behave in accordance with the carefully thought-out rules of moral philosophy" (p. 45).

In our study, it is assumed that the marketers must first perceive ethics and social responsibility to be important or beneficial to organizational effectiveness before their behaviors will become more ethical and reflect greater social responsibility. One objective of the study is to assess marketing practitioners' perceptions regarding the importance of ethics and social responsibility in achieving organizational effectiveness. Another objective is to analyze the relative influence of corporate ethical values and personal moral philosophies on a marketer's perceptions regarding the importance of ethics and social responsibility.

CONCEPTUAL FOUNDATIONS AND HYPOTHESES

Steps have been taken in the last decade to link social responsibility and organizational effectiveness. Zahra and LaTour (1987) found corporate social responsibility to be a multidimensional construct associated with organizational effectiveness. Recently, Kraft (1990, 1991) found ethics to be of considerable importance in some assessments of organizational effectiveness.

There are some who still insist that the main social responsibility is to make a profit (Friedman and Friedman 1981). Studies have been done to reconcile this "profitability" perspective with other views of social responsibility; however, they have produced conflicting results (Aupperle, Carroll, and Hatfield 1985). Tuleja (1985) argued that regardless of the research, corporate motives are complex and that social responsibility and profitability can be compatible. Interestingly, Wood, Chonko, and Hunt (1986) and Hunt, Kiecker, and Chonko (1990) explored the relationship between social responsibility and individual effectiveness of marketing professionals and found that neither penalties nor rewards accrue to marketers for socially responsible acts.

The level of commitment to corporate ethics and social responsibility is a complex issue and will depend on a variety of factors (e.g., Robin and Reidenbach 1987; Abratt and Sacks 1988). More specifically, Kraft and Hage (1989) reported that, although the organization's size and profitability are dominant correlates, corporate goals, strategies, and structure may all be related to corporate social responsibility.

Ethics and social responsibility can also be analyzed at an individual level. For example, according to the emerging theories of marketing ethics (i.e., Ferrell and Gresham 1985; Ferrell, Gresham, and Fraedrich 1989; Hunt and Vitell 1986, 1993), the decision-making process of marketers in situations having ethical content is a function of different categories of factors such as cultural environment, industry environment, organizational environment, and personal experiences. In particular, Hunt and Vitell (1986) describe a marketer's ethical judgment as including a teleological evaluation—the process by which the marketer evaluates an evoked set of alternative actions by considering their perceived consequences as well as the probability and desirability of consequences. These authors note that the relative importance of various stakeholder groups (e.g., self, clients, fellow employees, as well as the organization) to the individual marketer is a key determinant of the teleological evaluation process.

Influences of Corporate Ethical Values

According to Robin and Reidenbach (1987), a key factor in developing successful socially responsible and ethical marketing programs is management's ability to integrate ethical core values into its corporate culture. *Organizational environment*—which refers to the ethical norms, both formal and informal, within the organization—has generally been recognized as an important determinant of decision making in ethical situations. For example, Ferrell and Gresham (1985) depict organizational environment (i.e., "significant others" and "opportunity") as a major group of factors interacting with individual factors in their contingency framework for understanding ethical decisions. Hunt and Vitell (1986, 1993) include organizational environment as one of the major background factors directly influencing many components of ethics decision processes. In her "person-situation interactionist" model of ethical decision making, Trevino (1986) identifies "organizational culture" as a situational moderator influencing different aspects of the ethics decision processes of employees. Trevino (1986) asserts that organizational culture is an important factor in moral development:

> Organizational culture influences thoughts and feelings, and guides behavior. It manifests itself in norms, rituals, ceremonies, legends, and the organization's choice of heroes and heroines. (p. 611)

The importance of organizational environment as a determinant of marketing ethics decision making is also

evidenced in various empirical studies. Newstorm and Ruch (1975) found top executives to be an important source of a manager's ethical standards. Weaver and Ferrell (1977) concluded that the existence and enforcement of a corporate ethics policy influences beliefs toward different ethical behaviors. Hegarty and Sims (1979) found that an ethics policy, whether formal or informal, positively influences ethical behavior. Consistently, Singhapakdi and Vitell (1990, 1991) found that organizational ethical culture positively influences certain components of ethical decision-making processes (i.e., perceived ethical problem, perceived alternatives, and deontological norms).

The aspect of organizational environment investigated in this article is corporate ethical values. Drawing on the work of Alchian and Demsetz (1972) and Chamberlin (1933), Hunt, Wood, and Chonko (1989) concluded that the central dimension of organizational culture is corporate values. They explained that corporate values influence various aspects of the organizations' decisions (e.g., product and service quality, and advertising content). Focusing on the ethical dimension of corporate values, they define *corporate ethical values* as "a composite of the individual ethical values of managers and both the formal and informal policies on ethics of the organization" (p. 79). Peters and Waterman (1982) found that successful companies have a well-defined set of shared values. Other management theorists have concluded that a strong sense of corporate ethical values will help establish standards for companies to decide the right thing to do (e.g., Jansen and Von Glinow 1985). Hunt, Wood, and Chonko (1989) found a strong positive association between corporate ethical values and organizational commitment. Based on this finding, they indicate that corporate ethical values may not only be an important societal issue but a key organizational issue as well.

Because of the demonstrated importance of corporate ethical values to organizational commitment, we would expect marketers in organizations with higher levels of ethical values to assign a higher level of importance to different elements of corporate ethics and social responsibility than would marketers in organizations with lower corporate ethical values. Therefore,

H1: Corporate ethical values positively influence a marketer's perceptions of the importance of ethics and social responsibility in achieving organizational effectiveness.

Moral Philosophy Components

Marketing ethics theorists generally agree that marketers will apply ethical guidelines or rules based on different moral philosophies (e.g., Ferrell and Gresham 1985; Ferrell, Gresham, and Fraedrich 1989; Hunt and Vitell 1986, 1993). Social psychologists also consider moral philosophies or "personal ethical systems" to be an important part of factors influencing an individual's ethical judg-

ments. For example, Forsyth (1980; see also Schlenker and Forsyth 1977) demonstrated that ethical judgments may be explained parsimoniously by taking into account two aspects of personal moral philosophies, idealism and relativism.

Forsyth (1980, p. 175) defines *relativism* as "the extent to which an individual rejects universal moral rules" when making ethical judgments. According to Forsyth, relativistic individuals embrace a moral philosophy based on skepticism. As he explained in a recent article, relativists "generally feel that moral actions depend upon the nature of the situation and the individuals involved, and when judging others they weigh the circumstances more than the ethical principle that was violated" (Forsyth 1992, p. 462).

Idealism can be defined as the degree to which individuals "assume that desirable consequences can, with the 'right' action, always be obtained" (Forsyth 1980, p. 176). According to Forsyth, idealistic individuals adhere to moral absolutes when making ethical judgments. He explained that "highly idealistic individuals feel that harming others is always avoidable, and they would rather not choose between the lesser of two evils which will lead to negative consequences for other people" (Forsyth 1992, p. 462). On the contrary, less idealistic individuals "assume that harm will sometimes be necessary to produce good" (Forsyth 1992, p. 462).

The assertion that moral philosophies can influence ethical decisions has generally been empirically supported in marketing ethics studies. For example, Vitell, Rallapalli, and Singhapakdi (1993) found that the more idealistic and the less relativistic marketers tended to exhibit higher honesty and integrity than the less idealistic and the more relativistic marketers. Consistently, Vitell and Singhapakdi (1993) found that ethical judgments and deontological norms of marketers can be partially explained by personal moral philosophies. In particular, they found that both dimensions of moral philosophies influence deontological norms of marketers (i.e., idealism in a positive direction and relativism in a negative direction). Although they found that a marketer's moral philosophies do affect ethical judgments, they also found that the extent of influence varies with the situation.

Based on the conceptualizations and the empirical evidence discussed, it is expected that people who are more idealistic would be more likely to perceive ethics and social responsibility to be important in achieving organizational effectiveness and that for those who are more relativistic there would be a negative effect on the perceived importance of ethics and social responsibility. Accordingly, we hypothesize that

H2: Idealism positively influences a marketer's perceptions of the importance of ethics and social responsibility in achieving organizational effectiveness.

H3: Relativism negatively influences a marketer's perceptions of the importance of ethics and social responsibility in achieving organizational effectiveness.

METHOD

Sample

A national mailing list of professional members of the American Marketing Association (AMA) was used as the sampling frame. Self-administered questionnaires were mailed to 2,000 randomly selected professional members of the AMA. Of the 1,995 sets delivered, 453 persons responded for a response rate of 22.7 percent.

Although the response rate is comparable with earlier studies that have also used AMA mailing lists as the sampling frame (e.g., Hunt and Chonko [1984] obtained 25.1%, Singhapakdi and Vitell [1991] obtained 26.54%), it is nevertheless low. Accordingly, a test for nonresponse bias was used to compare responses from early respondents with those from late respondents with respect to age, income, ethical perceptions, and intentions. An analysis of variance (ANOVA) between the early and late groups found no statistical differences between the two groups on any of these variables.

Of the 453 questionnaires returned, 442 were usable. Slightly more than half of the respondents were men (51.4%) with the majority (36.7%) between 30 and 39 years old. Overall, the respondents were highly educated, with 30.2 percent having an undergraduate degree and 62.4 percent having at least some graduate education. More than half of the respondents reported their income at $40,000 or higher per year. The respondents represented various industries with the largest group from the service sector. The majority of respondents were at middle-management levels.

Scale Development

Kraft and Jauch's (1992) *Organizational Effectiveness Menu* was used as the foundation for the measurement of perceptions of relative importance of ethics and social responsibility (PRESOR). We assumed that ethical/social responsibility performance, as with all kinds of performance including financial performance, neither adequately defines nor causes organizational effectiveness but rather contributes to (i.e., is one of the potential determinants of) organizational effectiveness.

Kraft and Jauch's scale consists of five categories of effectiveness (including that of business ethics and social responsibility), containing a total of 35 criteria, with 7 identified as ethics/social responsibility criteria. As they intended, the scale incorporates both broadly and narrowly defined criteria, both determinants and indicators of effectiveness. However, their scale was judged too long for practical survey research. Accordingly, for this study 16 items reflecting combinations of ethics and socially responsible roles relative to different aspects of organizational effectiveness identified by Kraft and Jauch (1992) were developed (see Table 1). Responses were measured by a 9-point Likert-type scale (1 = *completely disagree*, 9 = *completely agree*).

TABLE 1
Factor Analysis Results and
Descriptive Statistics

Items	Factor Loadings	Mean[a]	SE Mean
Factor 1: Good Ethics Is Good Business ($\alpha = .72$)			
1. The ethics and social responsibility of a firm is essential to its long-term profitability.	.67	7.80	0.08
2. Business ethics and social responsibility are critical to the survival of a business enterprise.	.64	7.44	0.08
3. The overall effectiveness of a business can be determined to a great extent by the degree to which it is ethical and socially responsible.	.64	6.50	0.10
4. Good ethics is often good business.	.56	8.41	0.05
5. Business has a social responsibility beyond making a profit.	.53	7.89	0.07
6. Corporate planning and goal-setting sessions should include discussions of ethics and social responsibility.	.50	7.71	0.08
7. Social responsibility and profitability can be compatible.	.40	8.39	0.05
Factor 2: Profits Are Not Paramount ($\alpha = .69$)			
1. If the stockholders are unhappy, nothing else matters.[b]	.68	7.11	0.10
2. If the survival of a business enterprise is at stake, then you must forget about ethics and social responsibility.[b]	.66	8.66	0.09
3. The most important concern for a firm is making a profit, even if it means bending or breaking the rules.[b]	.65	7.48	0.09
4. To remain competitive in a global environment, business firms will have to disregard ethics and social responsibility.[b]	.54	7.71	0.09
5. Efficiency is much more important to a firm than whether or not the firm is seen as ethical or socially responsible.[b]	.53	6.73	0.10
Factor 3: Quality and Communication ($\alpha = .60$)			
1. Although output quality is essential to corporate success, ethics and social responsibility are not.[b]	.75	7.80	0.09
2. Communication is more important to the overall effectiveness of an organization than whether or not it is concerned with ethics and social responsibility.[b]	.72	6.15	0.11

a. Measured by a 9-point Likert-type scale (1 = *completely disagree*, 9 = *completely agree*).
b. Reverse-scored item.

Exploratory factor analysis. In order to assess the dimensionality of the PRESOR scale, exploratory factor analysis was performed. Because there were no previous efforts to develop a scale to measure the perceived importance of ethics and social responsibility in organizational effectiveness, it was not possible to expect any hypothesized dimensions. However, it would be reasonable to

expect that PRESOR would have more than one dimension because it plays a role in both the short- and long-term success of the firm.

The results of exploratory factor analysis, using a varimax rotation, yielded three factors with eigenvalues higher than one, accounting for about 46.9 percent of the variance. The factor loadings and items of each factor can be seen in Table 1. The first factor was labeled "Good Ethics Is Good Business" and explained 30.2 percent of the variance. The seven items describe the importance of ethics and social responsibility in relation to long-term gains such as survival, long-term profitability, and organizational competitiveness. This dimension suggests that individuals will consider ethics and social responsibility as important because of its impact on the ultimate survival and competitiveness of the firm.

The second factor was labeled "Profits Are Not Paramount" and explained 9.3 percent of the total variance. This dimension consists of five items. Items in this factor seemed to measure the importance of ethics and social responsibility in relation to issues such as making profits by any means, operating efficiencies, or stockholders' happiness. The items in this factor reflect the individuals' perceptions that ethics and social responsibility are important in order for an organization to be globally competitive, efficient, and profitable. An individual who scores high on this factor may even tend to believe that ethics and social responsibility are important even if being ethical might mean that the firm is less profitable and less competitive.

The third factor, "Quality and Communication," consisted of two items accounting for 7.4 percent of the variance. These items seemed to measure the importance of ethics and social responsibility in relation to the importance of quality and communication. An individual scoring high on this factor tends to believe that ethics and social responsibility are as important as output quality and communication for corporate success.

Based on Churchill's (1979) suggestions, items with low factor loadings (less than .40) or items with split loadings (loading .40 or more on more than one factor) were deleted. A reliability analysis of each subscale identified through exploratory factor analysis was performed. As reported in Table 1, the three subscales have coefficient alpha values ranging from .72 to .60, which are acceptable (Nunnally 1978).

Corporate Ethical Values

The corporate ethical values (CEV) scale developed by Hunt, Wood, and Chonko (1989) was used in this study. The scale was designed to reflect "a composite of the individual ethical values of managers and both the formal and informal policies on ethics of the organization" (Hunt, Wood, and Chonko 1989, p. 79). The CEV scale consists of five items and was measured by a 9-point *agree-disagree* scale (α = .85). A marketer scoring high on the CEV scale works in an organization with higher "corporate ethical values."

Moral Philosophies

The Ethics Position Questionnaire (EPQ) developed by Forsyth (1980) was used to measure personal moral philosophies. The EPQ consists of 20 items that are measured on a 9-point *agree-disagree* scale. The EPQ consists of two parts, idealism and relativism, with 10 items each. The idealism scale was designed to tap one's acceptance of moral absolutes and the relativism scale measures the rejection of universal moral principles. According to Forsyth (1980), those scoring high on the idealism scale generally believe that morally "right" behavior leads to good or positive consequences, whereas those scoring high on thê relativism scale tend to reject the notion that absolute moral principles exist. The idealism and relativism scales appear to be reliable, with coefficient alphas of .85 and .79, respectively.

RESULTS

Perceptions Regarding the Importance of Ethics and Social Responsibility

The mean responses for the final 14 PRESOR items from our survey of marketers are given in Table 1. The mean values ranged from 6.15 to 8.66, indicating that respondents generally believed that ethics and socially responsibility are somewhat important to important in achieving organizational effectiveness. The average responses per item for "Good Ethics is Good Business," "Profits Are Not Paramount," and "Quality and Communication" were 7.73, 7.34, and 6.98, respectively. Univariate tests were also carried out, with results indicating that the means for all three dimensions of PRESOR, along with the means for all 14 PRESOR items, were significantly greater than the neutral level (value of 5).

Influences of Corporate Ethical Values and Moral Philosophies

All research hypotheses were tested by means of ordinary least squares regression models. As a preliminary step, the correlation analysis of all variables was carried out. There were no significant correlations between CEV and the two moral philosophies. There was a significant, negative relationship between idealism and relativism, although due to its magnitude, multicollinearity was not expected to be a problem.

The results of the regression analysis are presented in Table 2 (three models, one for each dimension of PRESOR). The coefficients for corporate ethical values are all positive and significant for all three models. Accordingly, H1 is supported. The results suggest that corporate ethical values positively influence a marketer's perceptions of the importance of ethics and social responsibility in achieving organizational effectiveness.

TABLE 2
Regression Analyses

Variables	Beta	t	p
"Good Ethics Is Good Business" as dependent variable[a]			
Corporate ethical values	.126	2.762	.006
Idealism	.300	6.544	.000
Relativism	−.091	−1.998	.046
"Profits Are Not Paramount" as dependent variable[b]			
Corporate ethical values	.269	5.888	.000
Idealism	.082	1.811	.071
Relativism	−.199	−4.354	.000
"Quality and Communication" as dependent variable[c]			
Corporate ethical values	.142	3.087	.002
Idealism	.269	5.842	.000
Relativism	−.107	−2.321	.021

a. Adjusted R_2^2 = .125, F = 21.26, Significant $F < .01$.
b. Adjusted R_2^2 = .132, F = 22.58, Significant $F < .01$.
c. Adjusted R^2 = .116, F = 19.58, Significant $F < .01$.

The regression results also indicate that both dimensions of moral philosophies are significant predictors of a marketers' perceptions regarding ethics and social responsibility. In particular, the results from the regression analysis indicate, as hypothesized, that there are positive relationships between idealism and all three dimensions of PRESOR (note that the coefficient for idealism is significant at only the .10 level for the second dimension, "Short-Term Gain"). Accordingly, H2 is generally supported. We can conclude that idealism positively influences a marketer's perceptions regarding the importance of ethics and social responsibility in achieving organizational effectiveness. The results indicate that the relationships between relativism and the three dimensions of PRESOR are significant and negative. Accordingly, H3 is also supported. Relativism appears to be negatively related to a marketer's perceptions regarding the importance of ethics and social responsibility in achieving organizational effectiveness.

DISCUSSION

The results of the study should be viewed cautiously due to certain limitations. One limitation concerns the use of the AMA mailing list as a sampling frame. Although the AMA mailing list is judged the best sampling frame available, one can argue that members of the AMA are not typical marketers due to the substantial number of marketing researchers and other consultants represented by AMA's members. Also, the coefficients of determination values for the regression models used in the hypotheses tests are relatively low (i.e., the adjusted R^2 values ranged from .116 to .132). The proportionately small amount of variation in the dependent variables explained may be due to the small number of potential predictors of marketers' perceptions regarding ethics and social responsibility that

have been included in this study. Future studies should attempt to investigate other potential factors identified in marketing ethics theories—for example, social/cultural factors and industry environment (e.g., Ferrell and Gresham 1985; Hunt and Vitell 1986). The small amount of variation explained may be due to a high degree of end loading of responses to the PRESOR items as respondents tended to strongly agree with these statements. Because of this, the variance of responses to these items was greatly reduced, making it difficult to obtain higher R^2 values. The significant results from this study could be due to large sample size rather than real differences among respondents. Therefore, future studies should measure PRESOR differently. Two potential solutions could be to use a 100-point scale or to use an "unbalanced" scale with more *agree* categories.

The survey results indicate that, on average, marketers generally believe that ethics and social responsibility are important components of organizational effectiveness. The findings suggest that managers do not need to fear that they are sacrificing profit when they stress ethical and socially responsible behaviors. This raises a series of questions for future research. Is the marketing manager who perceives ethics and social responsibility to be important to organizational effectiveness more (or less) likely to act to benefit the organization, as we have assumed, or is the manager more (or less) likely to act in his or her self-interest? Instead of focusing entirely on marketing managers, perhaps it would be useful to study consumers as well. If consumers are losing confidence, as has been expressed by former AMA Chairman Neal, then who is changing, the consumers or marketing managers, and in what ways (e.g., feelings, perceptions, expectations, education, or behavior)? What seems evident is that marketing managers will need to continue to adapt to an ever-changing environment. The current trend appears to be in the direction of greater expectations and pressure for higher ethical standards in marketing.

This study has also examined the relative relationship of two personal moral philosophies—idealism and relativism—and corporate ethical values on marketers' perceived importance of ethics and social responsibility in achieving organizational effectiveness. The results indicate that marketers' perceptions regarding the importance of ethics and social responsibility can be explained by both dimensions of moral philosophies as hypothesized. Those who are more idealistic tend to perceive ethics and social responsibility to be important. The survey results also reveal that, relative to their counterparts, less relativistic marketers tend to perceive ethics and social responsibility as important. These results imply that the most commonly suggested ways to improve ethical standards in business (i.e., through writing company policies or codes of ethics and through training) may not be the only ways to improve the ethical/socially responsible performance of a company. Because idealism/relativism are measurable and significantly related to the perceived importance of ethics and social responsibility in achieving organizational effectiveness, organizations may be able to improve their ethical performance by assessing these factors. Of course, it is

important through future studies to more clearly establish a relationship between these two personal moral philosophies and job performance. Because no measures of behavior or behavioral intentions were included in this study, future studies should include these measures as well.

The survey results partly indicate that there is a positive relationship between a marketer's corporate ethical values and his or her perceptions regarding the importance of ethics and social responsibility. This finding is encouraging. It shows that an ethical corporate environment may have some positive impact on the decision-making processes of its marketing employees. In this particular case, ethical corporate values seem to help sensitize marketers to the importance of ethics and social responsibility as a component of marketing decisions. This finding is generally consistent with the literature (e.g., Ferrell and Gresham 1985; Hunt and Vitell 1986; Robin and Reidenbach 1987). The ethical corporate environment appears to be conducive to ethical and socially responsible behavior.

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