

Marketing Ethics

An International Perspective

Bodo Schlegelmilch

Marketing Ethics: An International Perspective

Bodo B. Schlegelmilch

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—PART I

Fundamentals of marketing ethics

1 *Introduction*

1.1 WHAT IS INTERNATIONAL MARKETING ETHICS?

The last decade has witnessed a remarkable increase in ethical concern. In the UK, leading business schools (including London Business School and Manchester Business School) have introduced courses in business ethics and appointed professors to teach and research in the field. In the US, business benefactors have endowed more than 25 chairs in ethics (*US News and World Report* 1995) and ninety per cent of business schools now have ethics courses in their programmes (Schlegelmilch and Robertson 1995). More than 150 research centres and organizations now exist in the US alone. Long-established business periodicals regularly devote lead articles to the subject of business ethics and hardly a day goes by without television and radio unearthing ethically questionable business practices. Books, articles and new journals exclusively devoted to business ethics (e.g. *Business Ethics*) are covering subjects ranging from unethical marketing practices to harassment in the workplace. In 1997, two of the main academic publications, the *Journal of Business Ethics* and *Business Ethics Quarterly* are in their 16th and 7th year of publication, respectively.

Consumers' concern about unethical business practices is reflected in a number of surveys. In the US, a Business Week/Harris poll indicated that 49 per cent view white-collar crime as very common (Robin and Reidenbach, 1989). In a more recent Gallup Poll, only the US government scored lower marks than corporations in terms of trustworthiness (*US News and World Report* 1995). In the UK, Schlegelmilch (1994) reports that only 17 per cent of the public rates the honesty of top business people as 'high'. Inevitably, this concern has influenced shopping practices. Two-thirds of consumers now claim that their purchasing habits are influenced by ethical considerations (BARB/Mintel 1991). Neil Garnet, director of corporate communications at Grand Metropolitan, states: 'There is no doubt that consumers are tending to reject some products on ethical grounds' and Jack Mahoney, Professor of Business Ethics at London Business

School, generalizes: 'Every purchase is an economic vote' (*The Sunday Times* 1994: 10).

Private and institutional investors are also increasingly scrutinizing the ethics of the companies they invest in (Schlegelmilch 1997). Indeed, *The Sunday Times* (1993) reported that ethical investment funds represent one of the fastest growing components of the financial sector. In the US, it has been reported that 182 major investment institutions – including pension funds, foundations and community development funds – manage socially responsible investments totaling \$639 billion (Ericson 1995).

In the light of growing ethical concern, corporations have also been taking steps to incorporate ethics into their organizations (Robertson and Schlegelmilch 1993). Nearly all Fortune 1000 companies have now formulated corporate codes of ethics (Weaver 1993; Center for Business Ethics 1992) and more than half of the largest corporations teach ethics to their employees (*US News and World Report* 1995). Many companies have set up reporting channels to ensure that their policies are adhered to (Schlegelmilch and Robertson 1995). In addition, companies have also recognized the marketing potential of exemplary ethical behaviour, either in the form of cause-related marketing campaigns (Varadarajan and Menon 1988) or in terms of corporate ethical positioning (Trommsdorff and Schlegelmilch 1996).

But although business ethics appears to have made significant inroads into teaching and research at universities, although consumers and investors appear to shy away from companies with questionable business practices, and although companies appear to have institutionalized business ethics in the form of codes of ethics, policies, procedures and training, there still appears to be a widespread ignorance of and scepticism about business ethics. Not surprisingly, marketing ethics, a subset of business ethics, is viewed very much in the same light.

1.1.1 The public perception

Mentioning that one is writing a book on marketing ethics typically provokes three kinds of reactions. The first reflects the perception that it is not a 'proper' subject, since marketing managers do not have any ethics in the first place! This view tends to be packaged in remarks like 'This won't take you long, there is no ethics in marketing in the first place' or, 'Marketing ethics is even more of an oxymoron than marketing academics.' The second type of reaction, more positive but equally wrong, is to place you firmly in the corner of those who are about to enter priesthood or have decided to embark on some sort of alternative lifestyle. People reacting in this way usually comment that 'Business and ethics do not mix', and that 'Business is mostly immoral or, at best, amoral.' Last, there are those who recognize

the importance of ethical decision making, but question the attempt to discuss business ethics in a book. They view ethics as an individual, private affair. Typical comments are: 'Ethics is something one learns at childhood; an adult either is ethical or is not,' or 'Ethical decisions are based on everyone's own conscience and are not a matter for public debate.'

None of these views is correct. Managerial decision making very often calls for ethical judgements, in particular in marketing. Indeed, because marketing represents the interface between a company and its customers, ethical misconduct in marketing is particularly visible and, consequently, particularly dangerous for the reputation of the firm. Moreover, one does not have to leave business and enter priesthood to be concerned with ethics. Ethics and business are inextricably mixed together. Management decision making regularly involves tradeoffs between economic and social performance. The manager who decides to recall a potentially dangerous product might, at least in the short term, compromise profits for the sake of consumer protection. In contrast, the manager who decides to delay the installation of pollution control equipment will, at least in the short term, increase shareholder value. Thus, business decisions almost always involve value judgements. Depicting business as something which merely follows scientific decision making rules ignores the fact that business is a human activity and, as such, has a moral perspective. Finally, there are those who view ethics *exclusively* as a private issue. Although private ethics is undoubtedly important, this view neglects the influence of corporate cultures and the influence of society at large on decision making. Surveys have shown that managers frequently feel pressured to sacrifice their personal values for corporate goals (Posner and Schmidt 1984) and that industry and country affiliations shape their attitudes towards ethics (Schlegelmilch and Robertson 1995). Thus, business decision making does not only rest on personal ethics, but is also impacted by organizational and societal pressures. The latter, of course, becomes more complex when managerial decision making affects more than one country or culture.

The previous paragraph hinted at a distinction between a short- and a long-term impact of decision making. This distinction is important as some ethicists and practising managers believe that good business ethics is, in the long run, synonymous with good business. Typical is the view expressed by Laczniak and Murphy (1993: ix) who state that 'While being ethical sometimes reduces short-term profits, it should enhance long-range shareholder value.' James Burke, who decided during the Tylenol crisis (see Exhibit 1.1) to remove every bottle of this headache medicine from the shelves, expresses a similar view when asked what discourages him about the state of American business ethics: 'Getting caught in these conflicting forces that all busi-