



Part Two
The Global Environment
and
Social and Ethical
Responsibilities

4

Social Responsibility and Ethics
in Marketing

Objectives

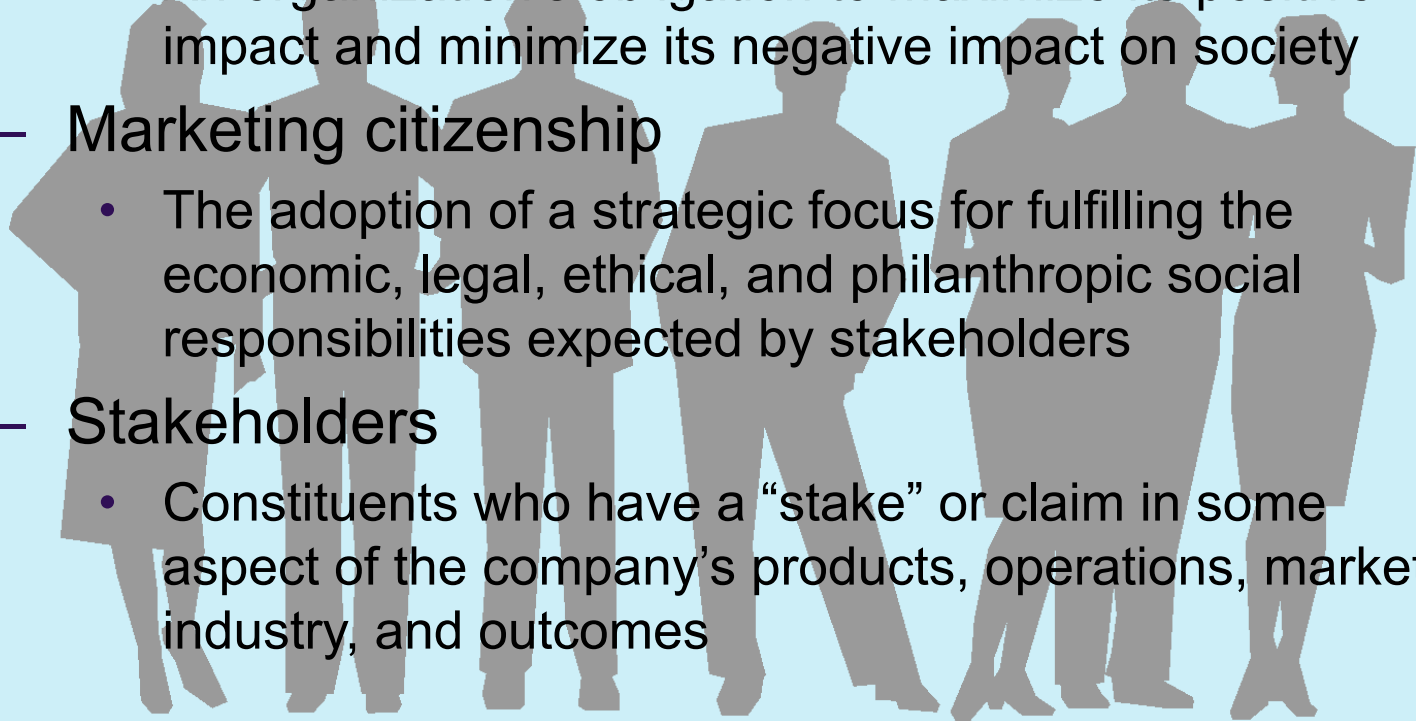
1. To understand the concept and dimensions of social responsibility
2. To define and describe the importance of marketing ethics
3. To become familiar with ways to improve ethical decisions in marketing
4. To understand the role of social responsibility and ethics in improving marketing performance

Chapter Outline

- The Nature of Social Responsibility
- The Nature of Ethics
- Incorporating Social Responsibility and Ethics into Strategic Planning

The Nature of Social Responsibility

- The Dimensions of Social Responsibility
 - Social responsibility
 - An organization's obligation to maximize its positive impact and minimize its negative impact on society
 - Marketing citizenship
 - The adoption of a strategic focus for fulfilling the economic, legal, ethical, and philanthropic social responsibilities expected by stakeholders
 - Stakeholders
 - Constituents who have a “stake” or claim in some aspect of the company's products, operations, markets, industry, and outcomes



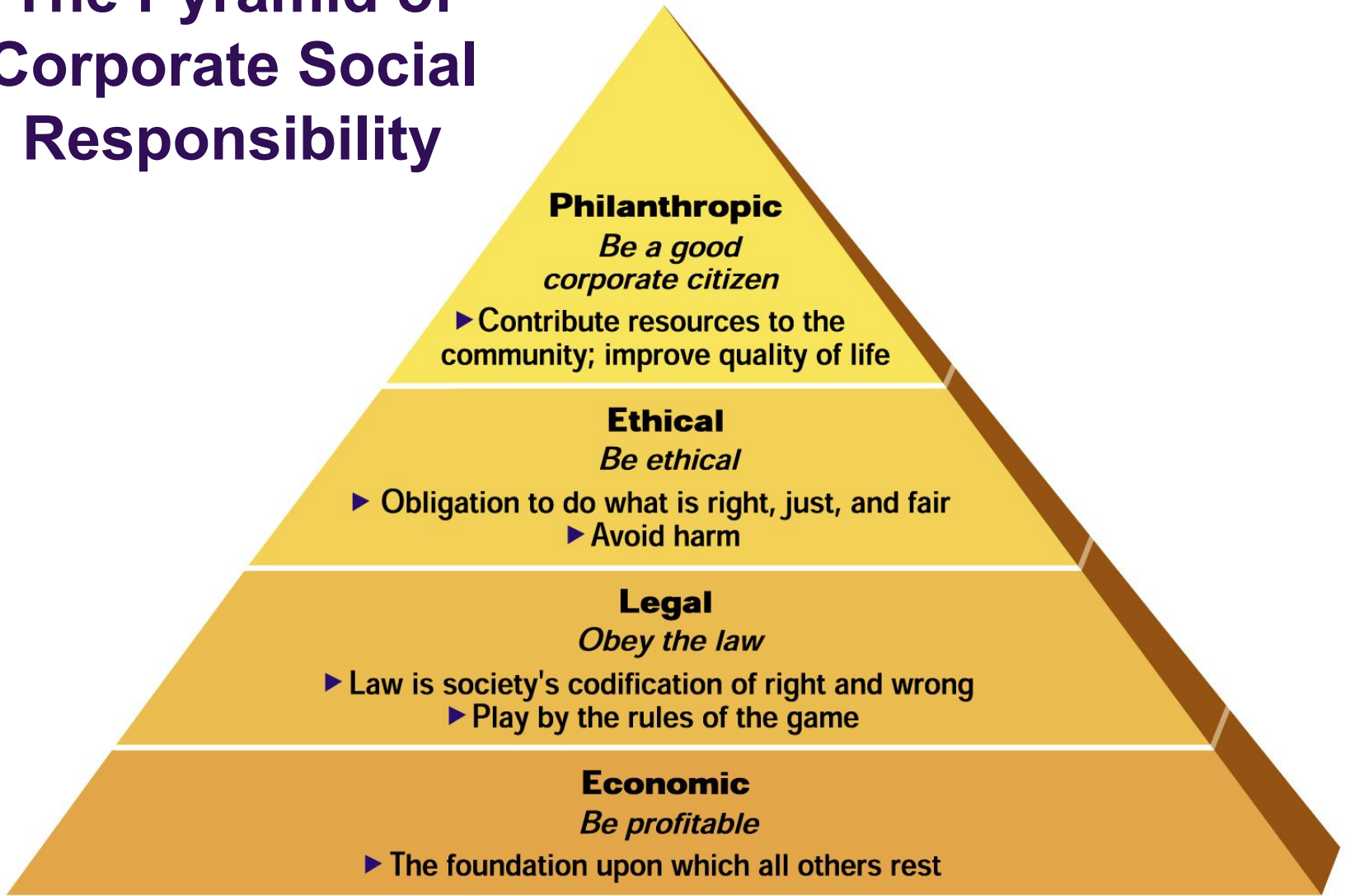
Best Corporate Citizens

1	General Mills	11	AT&T
2	Cummins Inc.	12	Fannie Mae
3	Intel	13	Bank of America
4	Procter & Gamble	14	Motorola
5	IBM	15	Herman Miller
6	Hewlett-Packard	16	Expedia
7	Avon Products	17	Autodesk
8	Green Mountain Coffee Roasters	18	Cisco Systems
9	John Nuveen	19	Wild Oats Markets
10	St. Paul	20	Deluxe

Source: Peter Asmus, with Sandra Waddock and Samuel Graves, "100 Best Corporate Citizens of 2003," *Business Ethics*, www.business-ethics.com/100best.htm (accessed Oct. 24, 2003).

The Pyramid of Corporate Social Responsibility

RESPONSIBILITIES



Source: Archie B. Carroll, "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders," adaptation of Figure 3, p. 42. Reprinted from *Business Horizons*, July/Aug. 1991. Copyright © 1991 by the Foundation for the School of Business at Indiana University. Reprinted with permission.

FIGURE 4.1

The Nature of Social Responsibility (cont'd)

- The Dimensions of Social Responsibility
 - Marketing ethics
 - Principles and standards that define acceptable marketing conduct as determined by various stakeholders
 - Cause-related marketing
 - The practice of linking products to a particular cause on an ongoing or short-term basis
 - Strategic philanthropy
 - The synergistic use of organizational core competencies and resources to address key stakeholders' interests and achieve both organizational and social benefits

Table 4.2**Social Responsibility Issues**

Issue	Description	Major Social Concerns
Natural environment	Consumers insisting not only on a good quality of life but on a healthful environment so they can maintain a high standard of living during their lifetimes	Conservation Water pollution Air pollution Land pollution
Consumerism	Activities undertaken by independent individuals, groups, and organizations to protect their rights as consumers	The right to safety The right to be informed The right to choose The right to be heard
Community relations	Society eager to have marketers contribute to its well-being, wishing to know what marketers do to help solve social problems	Equality issues Disadvantaged members of society Safety and health Education and general welfare

Corporate culture - refers to the beliefs and behaviors that determine how a company's employees and management interact and handle outside business transactions

The European Eco-label

Courtesy of the European Commission.



FIGURE 4.2

Social Responsibility Issues

- Green Marketing
 - The specific development, pricing, promotion, and distribution of products that do not harm the natural environment
- Green Marketing Goals
 - Eliminate the concept of waste
 - Reinvent the concept of a product
 - Make prices reflect actual and environmental costs
 - Make environmentalism profitable



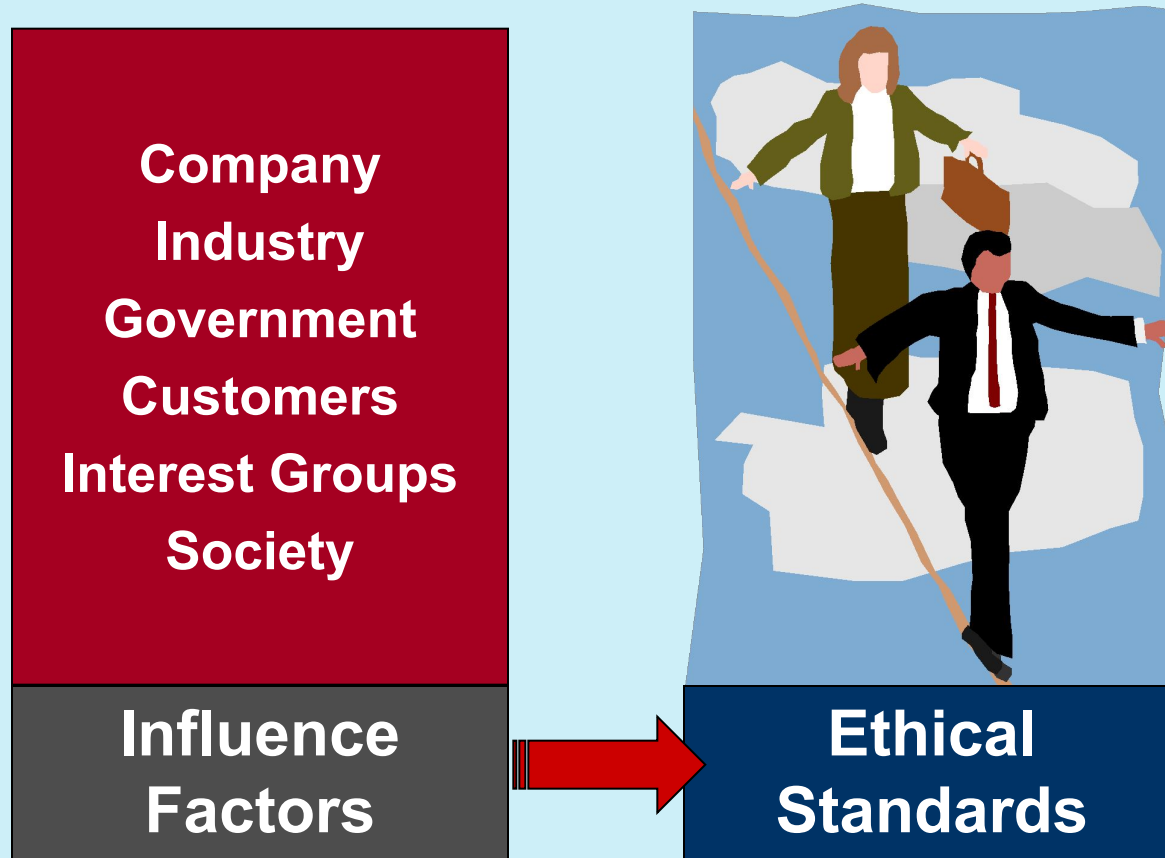
Social Responsibility Issues (cont'd)

- Consumerism
 - The efforts of independent individuals, groups, and organizations to protect the rights of consumers
 - Lobbying government officials and agencies
 - Letter-writing campaigns and boycotts
 - Public service announcements
 - Coverage by the news media and the Internet
 - Consumer “Bill of Rights”
 - Right to safety
 - Right to be informed
 - Right to choose
 - Right to be heard

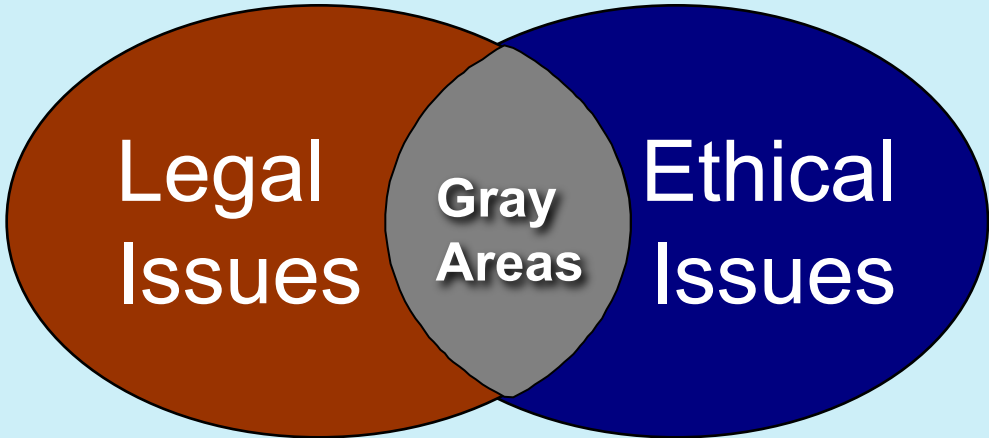
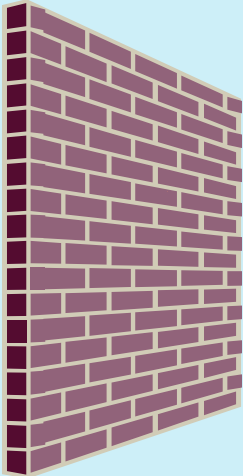
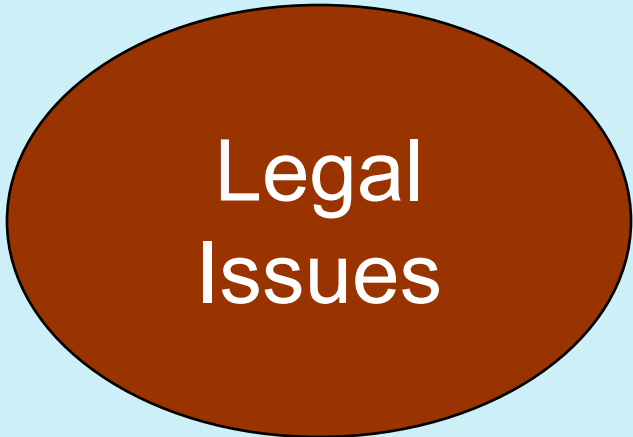
Social Responsibility Issues (cont'd)

- Community Relations
 - Expectations of firms as “good corporate citizens”
 - Philanthropic contributions to civic projects and institutions
 - Educational, health, cultural, and recreational
 - Employee volunteer participation
 - Employment opportunities and economic development

The Nature of Ethics



The Nature of Ethics (cont'd)



The Nature of Ethics (cont'd)

- Ethical Issues in Marketing
 - An identifiable problem, situation, or opportunity requiring a choice among several actions that must be evaluated as right or wrong, ethical or unethical



Table 4.3**Typical Ethical Issues Related to the Marketing Mix**

Product Issue Product information	Covering up defects in products that could cause harm to a consumer; withholding critical performance information that could affect a purchase decision.
Distribution Issue Counterfeiting	Counterfeit products are widespread, especially in the areas of computer software, clothing, and audio and video products. The Internet has facilitated the distribution of counterfeit products.
Promotion Issue Advertising	Deceptive advertising or withholding important product information in a personal selling situation.
Pricing Issue Pricing	Indicating that an advertised sale price is a reduction below the regular list price when in fact that is not the case.

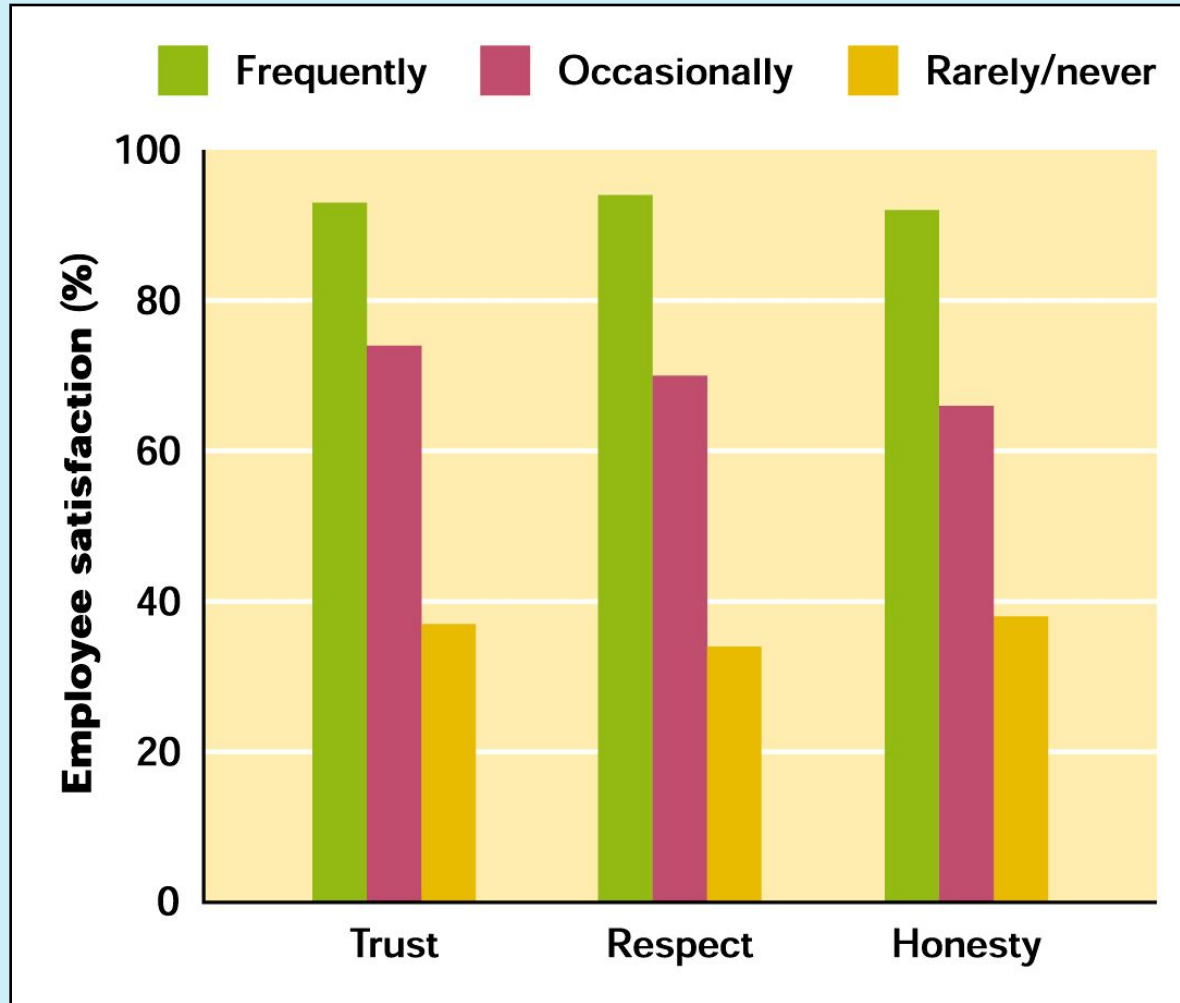
Factors That Influence the Ethical Decision-Making Process in Marketing



The Nature of Ethics (cont'd)

- The Ethical Decision-Making Process
 - Influence factors
 - Individual—personal values and principles of right and wrong, socialization through family, social groups, religion, and education
 - Organizational—work groups, committees, coworkers
 - Opportunity—business and organizational conditions which limit, punish, encourage, or reward ethical/unethical decisions

The Relationship of Organizational Values to Employee Satisfaction



Source: Ethics Resource Center, *The Ethics Resource Center's 2000 National Business Ethics Survey: How Employees Perceive Ethics at Work* (Washington, D.C.: Ethics Resource Center, 2000), p. 85. Reprinted with permission.

FIGURE 4.4

Sources of Pressure to Compromise Ethics Standards at Work

Source: Ethics Resource Center, *The Ethics Resource Center's 2000 National Business Ethics Survey: How Employees Perceive Ethics at Work* (Washington, D.C.: Ethics Resource Center, 2000), p. 38. Reprinted with permission.

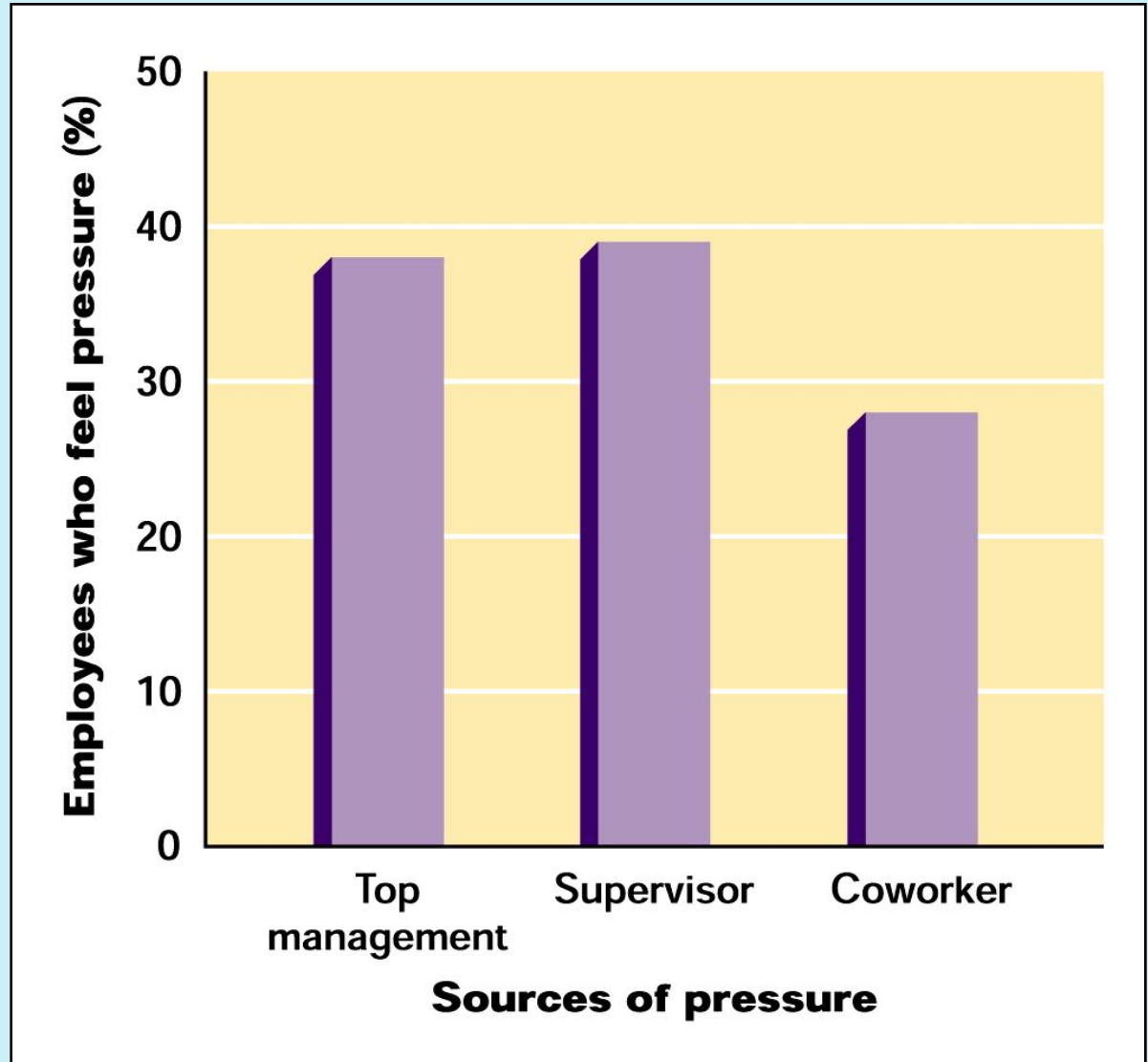


FIGURE 4.5

The Nature of Ethics (cont'd)

- Improving Ethical Conduct in Marketing
 - Codes of conduct (ethics)
 - Formalized rules and standards that describe what the company expects of its employees
 - Ethics officers
 - High-ranking persons (known to respect legal and ethical standards) in the organization who have responsibilities for
 - creating and distributing codes of conduct.
 - providing advice about ethical issues.
 - overseeing and enforcing of the code of conduct.

Table 4.4**Code of Ethics of the American Marketing Association**

ETHICAL NORMS AND VALUES FOR MARKETERS

Preamble

The American Marketing Association commits itself to promoting the highest standard of professional ethical norms and values for its members. Norms are established standards of conduct expected and maintained by society and/or professional organizations. Values represent the collective conception of what people find desirable, important and morally proper. Values serve as the criteria for evaluating the actions of others. Marketing practitioners must recognize that they serve not only their enterprises but also act as stewards of society in creating, facilitating and executing the efficient and effective transactions that are part of the greater economy. In this role, marketers should embrace the highest ethical norms of practicing professionals as well as the ethical values implied by their responsibility toward stakeholders (e.g., customers, employees, investors, channel members, regulators and the host community).

General Norms

1. Marketers must first do no harm. This means doing work for which they are appropriately trained or experienced so that they can actively add value to their organizations and customers. It also means adhering to all applicable laws and regulations as well as embodying high ethical standards in the choices they make.

(continued)

Table 4.4**(continued)**

2. Marketers must foster trust in the marketing system. This means that products are appropriate for their intended and promoted uses. It requires that marketing communications about goods and services are not intentionally deceptive or misleading. It suggests building relationships that provide for the equitable adjustment and/or redress of customer grievances. It implies striving for good faith and fair dealing so as to contribute toward the efficacy of the exchange process.
3. Marketers should embrace, communicate and practice the fundamental ethical values that will improve consumer confidence in the integrity of the marketing exchange system. These basic Values are intentionally aspirational and include: Honesty, Responsibility, Fairness, Respect, Openness and Citizenship.

Ethical Values

Honesty—this means being truthful and forthright in our dealings with customers and stakeholders.

- We will tell the truth in all situations and at all times.
- We will offer products of value that do what we claim in our communications.
- We will stand behind our products if they fail to deliver their claimed benefits.
- We will honor our explicit and implicit commitments and promises.

Source: Copyright © 2004 by the American Marketing Association.

(continued)

Table 4.4

(continued)

Responsibility—this involves accepting the consequences of our marketing decisions and strategies.

- We will make strenuous efforts to serve the needs of our customers.
- We will avoid using coercion with all stakeholders.
- We will acknowledge the social obligations to stakeholders that come with increased marketing and economic power.
- We will recognize our special commitments to economically vulnerable segments of the market such as children, the elderly and others who may be substantially disadvantaged.

Fairness—this has to do with justly trying to balance the needs of the buyer with the interests of the seller.

- We will clearly represent our products in selling, advertising and other forms of communication; this includes the avoidance of false, misleading and deceptive promotion.
- We will reject manipulations and sales tactics that harm customer trust.
- We will not engage in price fixing, predatory pricing, price gouging or 'bait and switch' tactics.
- We will not knowingly participate in material conflicts of interest.

Source: Copyright © 2004 by the American Marketing Association.

(continued)

Table 4.4**(continued)**

Respect—this addresses the basic human dignity of all stakeholders.

- We will value individual differences even as we avoid customer stereotyping or depicting demographic groups (e.g., gender, race, sexual) in a negative or dehumanizing way in our promotions.
- We will listen to the needs of our customers and make all reasonable efforts to monitor and improve their satisfaction on an on-going basis.
- We will make a special effort to understand suppliers, intermediaries and distributors from other cultures.
- We will appropriately acknowledge the contributions of others, such as consultants, employees and co-workers, to our marketing endeavors.

Openness—this focuses on creating transparency in our marketing operations.

- We will strive to communicate clearly with all our constituencies.
- We will accept constructive criticism from our customers and other stakeholders.
- We will explain significant product or service risks, component substitutions or other foreseeable eventualities affecting the customer or their perception of the purchase decision.
- We will fully disclose list prices and terms of financing as well as available price deals and adjustments.

Source: Copyright © 2004 by the American Marketing Association.

(continued)

Table 4.4**(continued)**

Citizenship—this involves a strategic focus on fulfilling the economic, legal, philanthropic and societal responsibilities that serve stakeholders.

- We will strive to protect the natural environment in the execution of marketing campaigns.
- We will give back to the community through volunteerism and charitable donations.
- We will work to contribute to the overall betterment of marketing and its reputation.
- We will encourage supply chain members to ensure that trade is fair for all participants, including producers in developing countries.

Implementation

Finally, we recognize that every industry sector and marketing sub-discipline (e.g., marketing research, e-commerce, direct selling, direct marketing, advertising, etc.) has its own specific ethical issues that require policies and commentary. An array of such codes can be accessed via links on the AMA website. We encourage all such groups to develop and/or refine their industry and discipline-specific codes of ethics in order to supplement these general norms and values.

Source: Copyright © 2004 by the American Marketing Association.

The Nature of Ethics (cont'd)

- Implementing Ethics and Legal Compliance Programs
 - Provide open communication and coaching on ethical issues (create a value-based corporate culture).
 - Enforce standards and impose penalties or punishment for codes of conduct violations.
 - Revise compliance programs as necessary.
 - Make compliance programs an essential part of the overall marketing strategy implementation.

Incorporating Social Responsibility and Ethics into Strategic Planning



Incorporating Social Responsibility and Ethics Into Strategic Planning (cont'd)

- Evaluating whether an activity is ethical and socially responsible
 - Ask other persons in the organization for their approval.
 - Contact concerned consumer, industry, and governmental groups.
 - Check company policies.

Incorporating Social Responsibility and Ethics into Strategic Planning (cont'd)

- Being socially responsible and ethical is not easy.
- Requires organizational commitment to
 - constantly monitoring trends and changes in society's values.
 - developing control procedures to prevent organizational decisions and actions from damaging customer relations.
 - attempting to predict the long-term effects of products and actions taken to meet current societal wants.

Table 4.5**Organizational Audit of Social Responsibility and Ethics Control Mechanisms**

Answer True or False for each statement.

- | | | |
|---|---|--|
| T | F | 1. No mechanism exists for top management to detect social responsibility and ethical issues relating to employees, customers, the community, and society. |
| T | F | 2. There is no formal or informal communication within the organization about procedures and activities that are considered acceptable behavior. |
| T | F | 3. The organization fails to communicate its ethical standards to suppliers, customers, and groups that have a relationship with the organization. |
| T | F | 4. There is an environment of deception, repression, and cover-ups concerning events that could be embarrassing to the company. |
| T | F | 5. Compensation systems are totally dependent on economic performance. |
| T | F | 6. The only concerns about environmental impact are those that are legally required. |
| T | F | 7. Concern for the ethical value systems of the community with regard to the firm's activities is absent. |
| T | F | 8. Products are described in a misleading manner, with no information on negative impact or limitations communicated to customers. |

True answers indicate a lack of control mechanisms, which, if implemented, could improve ethics and social responsibility.

Incorporating Social Responsibility and Ethics Into Strategic Planning (cont'd)

- Social responsibility and ethics improve marketing performance.
 - Socially responsible companies (and their employees) can better respond to stakeholder demands.
 - A company's reputation for social responsibility is important to consumers' buying decisions.
 - Social responsibility and ethical behavior reduce the costs of legal violations, civil litigation, and damaging publicity.

After reviewing this chapter you should:

- Understand the concept and dimensions of social responsibility.
- Be able to define and describe the importance of marketing ethics.
- Be able to discuss ways to improve ethical decisions in marketing.
- Be aware of the role of social responsibility and ethics in improving marketing performance.