

Chapter 2

Advanced perspectives for ethical and socially responsible marketing decisions

Agenda—Evaluating BP 5–7

- ▶ BP5 – Essential Frameworks for Enlightened Marketing: five theories
 - Consequence based ethical theories
 - Duty based ethical theories
 - Contract based ethical theories
 - Virtue based ethics
 - Religious approaches to ethics
- ▶ BP6 – Embracing the Stakeholder Concept: six precepts
- ▶ BP7 – Moral Reasoning for Marketing Managers: the seven steps
- ▶ Conclusions
- ▶ Discussion points for students
- ▶ Homework questions for students

BP 1–4 Review

- ▶ **BP1** – Any analysis of marketing ethics must begin with a primary focus on people.
- ▶ **BP2** – Ethical expectations require a higher standard than a legal one.
- ▶ **BP3** – Intent, Means and Ends all should be considered in developing ethical marketing decisions.
- ▶ **BP4** – Four types of marketing managers were discussed. What were they?

BP5 – *Essential Frameworks for Enlightened Marketing: five theories*

- ▶ If principled marketing managers with moral imagination are essential to an ethical organization, then what principles might they regularly integrate into their moral reasoning?
- ▶ Different approaches discussed here help address ethical issues concerning the ‘rightness’ or ‘fairness’ of various marketing strategies and tactics in the workplace.

Examples of ethical questions from various stakeholders

- Can I inflate expenses to cover gratuities?

Employees

- Is this price fair?

Customers

- Should Internet sellers incur the cost of collecting the appropriate state sales tax?

Regulators

Examples of ethical questions from various stakeholders

- Should the marketing press release required documentation for performance or compliance achievements that are made?

Media

- Should all product claims contained in advertising be substantiated on the company website?

Competition

Moral maxims for marketing



Consequence based ethical theories – Teleological theories

- ▶ A marketing decision is judged as ethical or unethical depending exclusively on its outcome.
- ▶ Teleological comes from Greek word “telos” meaning end or consequence.
- ▶ Exclusively ends-oriented decision making.
- ▶ Most frequently used consequences theory is utilitarianism.

Consequence based ethical theories: UTILITARIANISM

- ▶ A decision concerning marketing conduct is proper if and only if that decision produces the *greatest good for the greatest number* of individuals.
- ▶ “Good” is usually defined as the *net benefits* that accrue to those parties affected by the choice.
- ▶ Thus, “the end justifies the means.”

Consequence based ethical theories: UTILITARIANISM

- ▶ HISTORY – Jeremy Bentham, John Stuart Mill were the original formulators.
- ▶ TYPES:
 - ACT Utilitarianism
 - RULE Utilitarianism
- ▶ Works as a cost–benefit analysis with which marketing managers are comfortable.
- ▶ Allows flexibility to different situations and managers can weigh the pros and cons of their options.

Consequence based ethical theories: UTILITARIANISM

▶ LIMITATIONS:

- Who decides what the “greatest good” is?
- Ends may sometimes justify otherwise unacceptable means. Can you think of examples?
- Is an economic interpretation of utilitarianism compatible with the concept of justice?

Consequence based ethical theories: UTILITARIANISM

▶ CONCLUSIONS:

- A popular method of ethical reasoning used by many marketing managers, but it also presents problems in its application under various circumstances.
- It is often a 'bottom line' oriented theory due to its emphasis on outcomes.

Duty based ethical theories: DEONTOLOGICAL

- ▶ Actions are best judged as “good,” standing alone and without regard to consequences.
- ▶ Deontological is derived from Greek word for duty.
- ▶ The inherent rightness of an act is *not* decided by choosing the act that produces the best consequences. Rather, it follows the premise that certain actions are morally “correct” in and of themselves arising from fundamental obligations.
- ▶ Intentions or motivations, and not exclusively the act itself, determine whether a marketing decision is ethical or unethical.

Duty based ethical theories: DEONTOLOGICAL

- ▶ HISTORY – Immanuel Kant (seminal advocate)
- ▶ Categorical imperatives:
 1. Act only on maxims which you can will to be universal laws of nature. (Universality formulation)
 2. Always treat the humanity in a person as an end, and never as a means *merely*. (Human dignity formulation)
 3. Act as if you were a member of an ideal kingdom of ends in which you were both subject and sovereign at the same time. (Moral community formulation)

Duty based ethical theories: DEONTOLOGICAL

- ▶ Cost-benefit analysis is inappropriate to the evaluation of some situations. (e.g., vulnerable consumers may ethically require special protections).
- ▶ Both means and ends should be subjected to moral evaluation.
- ▶ Sometimes managers must take actions which do not produce best economic consequences.

Duty based ethical theories: DEONTOLOGICAL

▶ LIMITATIONS:

- Many different duties based theories, with many different basic obligations or duties. As with the consequences approach *who* decides on these?
- Antithesis of modern relativism – not suited to our complex, multicultural and global marketplace.

Duty based ethical theories: DEONTOLOGICAL

- ▶ LIMITATIONS – Problems with universal rules:
 - There are always contingencies that seem to complicate real-world situations.
 - Universals do not take into account the ethical character of the formulator of the universal principle.
 - There may not be a mechanism for resolving conflicts among two absolute moral duties.

Duty based ethical theories: DEONTOLOGICAL

- ▶ CONCLUSIONS:
- ▶ Usually sets a higher standards for ethical conduct than utilitarian analysis.
- ▶ Emphasizes the fairness or rightness of the action and not the consequences.
- ▶ Forces marketing managers to focus on *how* decisions are made.

Contract based ethical theories

SOCIAL CONTRACT THEORY (SCT)

- ▶ People must generally agree to abstain from exploiting one another. To ensure that this does not occur, rules and mechanisms to enforce cooperation are required.
- ▶ SCT demands obedience to laws and adherence to the provisions of business contracts.
- ▶ SCT concludes that business communities or groups should have “moral free space,” because they want to keep their moral options open until they confront the full context and environment of a decision.

Contract based ethical theories

SOCIAL CONTRACT THEORY (SCT)

- ▶ *Hypernorms* (the norms by which all other norms are to be judged): Examples are:
 - An obligation to respect the dignity of each human person. (Core human rights include basic freedom of movement, physical security and access to the means of well being—basic healthcare, education and right of property ownership.)
 - Equity, the fair treatment of similarly situated persons.
 - Avoiding unnecessary injury to others.
 - The preservation of the physical environment so that it is *sustainable* for future generations.
- ▶ The notion that “acceptable standards” of business or industry practice cannot violate hyper-norms is one of the basic contributions of this approach.

Contract based ethical theories

RAWLSIAN Theory

- ▶ HISTORY – John Rawls (late 20th century philosopher)
- ▶ Two principles of justice which are never to be violated:
 1. The liberty principle states that each person is to have an equal right to the most extensive basic liberty compatible with a similar liberty for others.
 2. The difference principle states that social and economic equalities are to be arranged so that they do not further disadvantage the least advantaged.

Contract based ethical theories

- ▶ **LIMITATIONS:**
- ▶ SCT often deals with ‘hypothetical’ rather than real contracts.
- ▶ Rawlsian analysis is proposed for an ideal society rather than the complex business world.
- ▶ Hyper-norms are easier to propose than implement in practice.
- ▶ Some managers might take advantage of ‘moral free space’ to justify unethical acts.

Contract based ethical theories

CONCLUSIONS:

- ▶ Focus on the multiple relationships that a firm has with diverse stakeholders.
- ▶ Outlines special obligations that marketers have to these stakeholders.
- ▶ The ‘sanctity’ of the contract is the ultimate requirement of this type of theory.

Virtue based ethics

- ▶ A modern day reaction to the rampant relativism wherein society seems to lack a way of reaching moral agreement about ethical problems.
- ▶ It is almost a one-person, one-vote method to establishing what is ethical.
- ▶ Its key criterion is seeking to live a virtuous life.

Virtue based ethics

- ▶ HISTORY – Aristotle’s writings plus modern day philosopher Alasdair MacIntyre
- ▶ Virtue ethics differs from the consequences, duty and contract based ethics in that the focus is on the individual and not the decision to be made or the principle to be followed. As such, virtue ethics is fundamentally unique among the theories.

Virtue based ethics

- ▶ Virtues are essentially “good habits” that should be practiced.
- ▶ Admirable characteristics are most readily discovered by witnessing and imitating widely acclaimed behavior (i.e., the importance of mentors and role models).
- ▶ The judgment it requires is based on the *ethic of the mean* where the mean is an optimal *balance* of a quality that one should seek.

Virtue based ethics

- ▶ Companies should consider questions such as:
 - “What kind of organization *should* we be?”
 - “What constitutes *the ideal* ethical firm?”
- ▶ Once management understands the nature of a virtuous organization, ethical decision rules are much easier to develop.

Relationship marketing and virtue ethics

Table 2.1

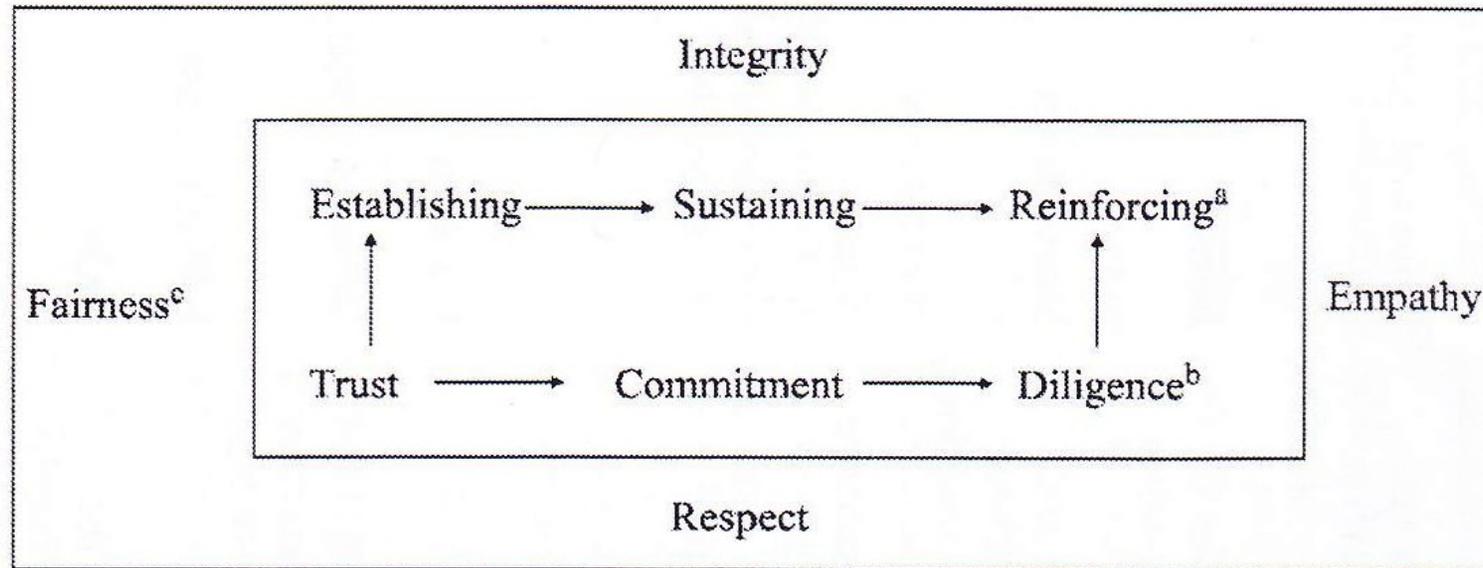
Relationship Marketing and Virtue Ethics

Virtue	Definition	Related virtues	Applications to marketing
Integrity	Adherence to a moral code and completeness	Honesty Moral courage	Conveying accurate and complete information to consumers
Fairness	Marked by equity and free from prejudice or favoritism	Justice	Selling and pricing products at a level commensurate with benefits received
Trust	Faith or confidence in another party	Dependability	Confidence that salespeople or suppliers will fulfill obligations without monitoring
Respect	Giving regard to views of others	Consideration	Altering products to meet cultural needs and refusing to sell unsafe products anywhere
Empathy	Being aware of and sensitive to the needs and concerns of others	Caring	Refraining from selling products to consumers who cannot afford them
Trans- parency	Making actions clear to others	Openness	Being open with customers and their stakeholders

Source: Adapted from P. E. Murphy, "Character and Virtue Ethics in International Marketing," *Journal of Business Ethics* (January 1999), 113

Relationship marketing and virtue ethics

Transparency^d



Key:

- ^a Relationship Marketing Stages
- ^b Key (Foundational) Virtues
- ^c Facilitating (Supporting) Virtues
- ^d In Communication and Action

Source: P. Murphy, G. Laczniak and G. Wood, "An Ethical Basis for Relationship Marketing: A Virtue Ethics Perspective," *European Journal of Marketing* (2007), 44.

Virtue based ethics

▶ LIMITATIONS:

- What constitutes the “perfect” organisation?
- Presupposes virtue will be “other directed.”
- Assumes people aspire to a higher level of ethics

Virtue based ethics

▶ CONCLUSIONS:

- It is within the context of corporate culture that a particular company can seek virtues appropriate for that organization.
- BUT is virtue ethics simply too idealistic?

Religious approaches to ethics

- ▶ The previous four approaches are secular or civic, but we can also explore ethics from religious perspectives.
- ▶ Religions such as Judeo-Christian, Confucian, Jewish, Islamic, and Buddhist have ethical precepts at their core (see Box 2.2).
- ▶ Students need to familiarise themselves with primary rules and principles from religious sources because they are a dominant force in developing and maintaining world wide social norms.

Principles of Catholic Social Thought–CST

- ▶ **Human dignity**– all persons have inherent worth
- ▶ **Common good**– decisions should positively influence the betterment of the community
- ▶ **Subsidiarity**— decisions should be made at lowest level where the expertise to make and enforce them resides
- ▶ **Preference for the poor and vulnerable**– special care should be devoted to such consumers
- ▶ **Worker rights**– all employees should receive ‘fair’ treatment
- ▶ **Solidarity**– all people as human beings seek common fulfillments
- ▶ **Stewardship** –special care should be taken to preserve the natural environment

BP6 – Embracing the Stakeholder Concept

- ▶ Adoption of a stakeholder orientation (SO) is essential to the advancement and maintenance of ethical marketing decision-making in any organization. It has six fundamental precepts:
 1. Definition: *A stakeholder* is any group or individual who can affect or is affected by the achievement of the organization's objectives. (Freeman, 1984)
 2. A marketing system operates in and for society.
 3. Stakeholders can be classified in three ways.
 4. Marketers engage stakeholders in a proactive way.
 5. The stakeholder concept implies a triple bottom line philosophy (People, Planet, Profit).
 6. Marketers need to think more broadly and futuristically about the consumer stakeholder (e.g., base of pyramid-BOP).

Stakeholders

PRIMARY

- Continuing and essential interest in the firm
- Organization cannot 'live' without them
- Examples: Customers, Shareholders, Employees

INDIRECT

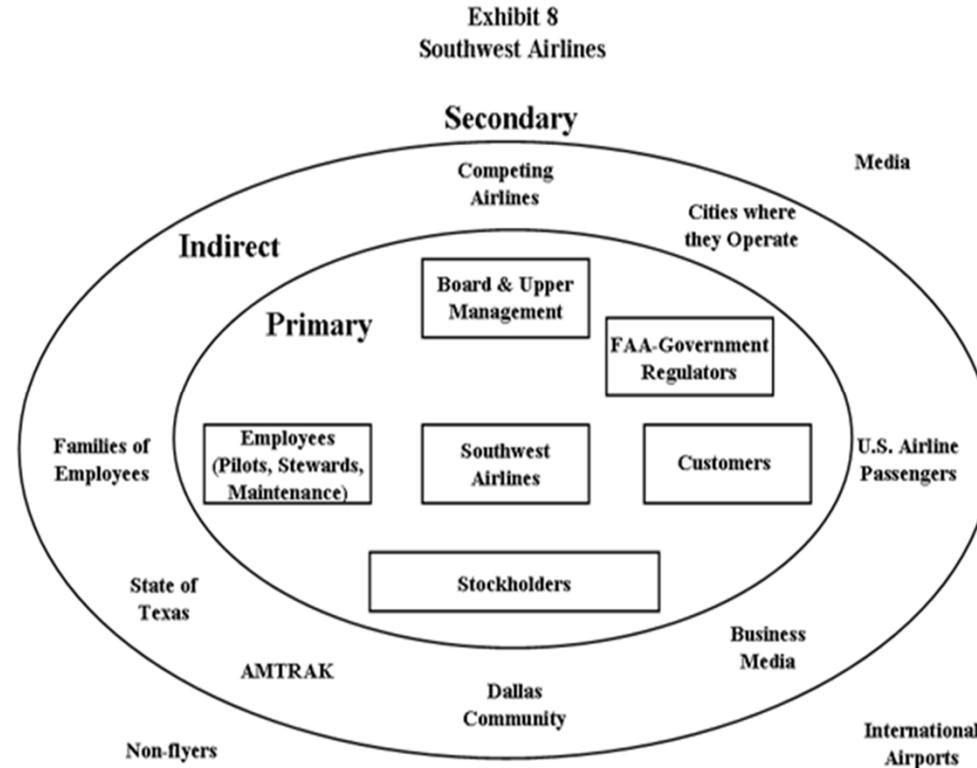
- Abiding but more separated interest in the firm
- Interaction is a more distant one
- Examples: Host Community ,Suppliers, Competitors

SECONDARY

- Potential interest in the firm
- May influence the organization in the future
- Examples: Media, Society

Stakeholders for Southwest Airlines

Figure 2.1 Stakeholders for Southwest Airlines



Quote about stakeholders by Southwest Airlines founder

- ▶ “...Who comes first? Your employees, your shareholders, or your customers? ...it’s not a conundrum. Your customers come first. And if you treat your employees right, guess what? Your customers come back, and that makes your shareholders happy. Start with employees and the rest follows...”

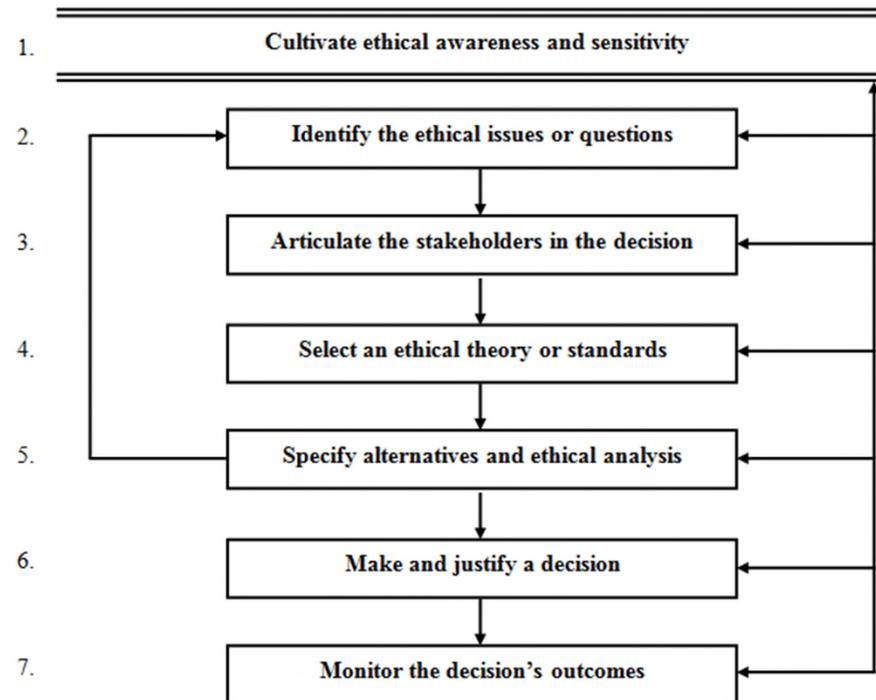
–Herb Kelleher, *Fortune*, 4/9/12, p. 82.

BP7 – Moral Reasoning for Marketing Managers: the seven steps

- ▶ Marketing organizations striving for exemplary ethical conduct ought to delineate an ethical analysis protocol and train their managers to follow it.
- ▶ Our recommended process has seven steps that build on one another.
- ▶ This seven step model is used as a template to evaluate the cases in the book.

A protocol for formalizing the ethical evaluation process in marketing organizations

Figure 2.2 A Protocol for Formalizing the Ethical Evaluation Process in Marketing Organizations



Source: Adapted from G. Laczniak and P. Murphy, 'Normative perspectives for ethical and socially responsible marketing', *Journal of Macromarketing*, 26 (2), p. 169.

Ethical lessons from the basic perspective set

- ▶ Moral reflection suggests that the BPs are considered as an integrative whole.
- ▶ The challenge for marketing managers is to work through the network of possible connections among the BPs in the context of the potential uniqueness and complexity of different industries–i.e., applied to their own operating environments.

Conclusions

- ▶ Comprehensive overview of normative marketing ethics.
- ▶ Remember the importance of the interrelationships between the BPs.
- ▶ Marketing ethics draws on individual, corporate, societal, philosophical and religious foundations.
- ▶ Creating value can be achieved when an organisation adheres to strong ethical principles.
- ▶ Companies who are good at both ethics and economic efficiency will be the most successful in the marketplace.

Discussion points for the class

1. Split into teams and conduct a stakeholder analysis of an organisation of your choice.
2. Take five stakeholder groups from your analysis in Q1 and make a list of potential ethical questions each group might ask themselves and/or their employer.
3. Take the “protocol for formalizing the ethical evaluation process in marketing organizations framework” and apply it to a current ethical ‘scandal’.

Homework questions for students

1. Write a 100 word summary of each of the five theories discussed in Chapter 2. Make sure to utilize academic books and journal articles to aid your summary.
2. Choose an ethical theory of your choice and consider how this theory could be applied to a recent ethical 'scandal'.
3. Select one of the world religions from Box 2.2 and do some research on it. Answer two questions: (1) How does it compare to the CST principles? and (2) How does it relate to other concepts in Chapter 1 and/or Chapter 2?