Social Responsibility and Ethics in Marketing

Principles of Marketing
Chapter 4
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Organizational social responsibility

Obligates organizations to act in ways that serve both its own interests and the interests of external stakeholders.

Perspectives on social responsibility

Classical view—
Management's only responsibility is to maximize profits.

Socioeconomic view—
Management must be concerned for the broader social welfare, not just profits.
### Pros
- Adds long-run profits
- Better public image
- Avoids more government regulation
- Businesses have resources and ethical obligation
- Better environment
- Public wants it

### Cons
- Reduced business profits
- Higher business costs
- Dilution of business purpose
- Too much social power for business
- Lack of public accountability
- Adds long-run profits
- Better public image
- Avoids more government regulation
- Businesses have resources and ethical obligation
- Better environment
- Public wants it

### Is the organization’s ...
- Economic responsibility met?
  - Basic foundation
- Legal responsibility met?
  - Obeying society’s code of what is right and wrong - playing by the rules
- Ethical responsibility met?
  - Obligation to also do what is fair
  - Avoid harming others
- Discretionary responsibility met?
  - Improving quality of life

### Three main issues
- Consumerism
- Natural Environment
- Community Relations
**Consumerism**

- John F. Kennedy’s four basic consumer rights:
  - Right to safety
    - Not selling products that would harm anyone
  - Right to be informed
    - Able to review relevant information about the product
  - Right to choose
    - Variety of product options with competitive prices
  - Right to be heard
    - Follow-up customer service

**Community relations**

- Good corporate citizens
  - Donate to non-profits
  - Sponsor sports teams
  - Don’t pollute
  - Provide good working conditions

What examples can you give? How does the company you are researching “rate”?

**Corporate Responses to Social Demands**

- High:
  - Anticipators
    - Take social initiatives
  - Reactors
    - Accept ethical responsibility
  - Accommodators
    - Do only what is legally required
  - Defenders
    - Fight all the way

- Low
Natural Environment

- Green Technology
  - Biofuels
  - Wind
  - Solar
  - Recycling
- Disposable diapers
- Petro based plastic
- Tuna fishing

Government influences organizations

- Common areas of government regulation:
  - Occupational safety and health
  - Fair labor practices
  - Consumer protection
  - Environmental protection
- Agencies that monitor compliance:
  - Federal Aviation Administration (FAA)
  - Environmental Protection Agency (EPA)
  - Occupational Safety and Health Administration (OSHA)
  - Food and Drug Administration (FDA)

What is ethical behavior?

- Ethics
  - Code of moral principles
  - Set standards of good and bad and right and wrong
- Ethical behavior
  - What is accepted as good and right in the context of the governing moral code.
- Ethical lapses
  - Decisions contrary to
    - Individual's stated beliefs
    - Policies of the company
Law, values, and ethical behavior:
- Ethical behavior should also be legal in a just and fair society.
- Legal behavior is not necessarily ethical behavior.
- Personal values help determine individual ethical behavior.

4 views of ethical behavior:
- Utilitarian view
- Universal view
- Moral-rights view
- Justice view

Justice View
- Distributive Justice
  - Reward and punish equally
- Procedural Justice
  - Process is administered fairly
- Compensatory justice
  - Individuals or groups hurt by other types of justice are equitable compensated.
What is ethical behavior?

- Cultural issues in ethical behavior:
  - Cultural relativism
    - Ethical behavior is always determined by cultural context.
    - "When in Rome, do as the Romans do"
  - Ethical imperialism
    - Behavior that is unacceptable in one’s home environment should not be acceptable anywhere else.

Pressure for unethical acts...

Sometimes, perhaps too often, bosses who hold a lot of power may ask:
- "support an incorrect view"
- "sign a false document"
- "overlook a wrong doing"
- "do business with my friends"

Who depend on them for raises, promotions, etc.

Survey of Canadian and U.S. Secretaries: What % reports...

- Having lied about supervisor’s whereabouts: 58%
- Having shared confidential information on hiring, firing, layoffs: 27%
- Notarizing documents without witnessing signature: 17%
- Seeing official minutes of meetings changed: 12%

Companies can and should respect core or universal values:

**Respect for human dignity**
- Create culture that values employees, customers, and suppliers.
- Keep a safe workplace.
- Produce safe products and services.

**Respect for basic rights**
- Protect rights of employees, customers, and communities.
- Avoid anything that threatening safety, health, education, and living standards.

**Be good citizens**
- Support social institutions, including economic and educational systems.
- Work with local government and institutions to protect environment.

Ethical dilemmas include:
- Discrimination
- Sexual harassment
- Conflicts of interest
- Customer confidence
- Organizational resources
- Overstating value of good or service
- False advertising
- Overlooking mis-use of funds

Rationalization of Unethical behavior
- Behavior is not really illegal.
- Behavior is really in everyone’s best interests.
- Nobody will ever find out.
- The organization will “protect” you.
Factors that influence ethical behavior

- The person
  - Family influences, religious values, personal standards, and personal needs
- The organization
  - Supervisory behavior, policy statements and written rules, and peer group norms and behavior
- The environment
  - Government laws and regulations, societal norms and values, and competition climate in an industry

Influencing Factors

- Opportunity
- Organizational Relationships
- Individual Factors
- Ethical marketing decisions
- Distance between action and consequences

“There is no substitute for leaders with integrity”
Integrity is an Inside Job

- Integrity is NOT determined by circumstances
- Integrity is NOT based on credentials
- Integrity is NOT to be confused with reputation

Maxwell and Dornan, 1997

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Credentials | Character
---|---
- Are transient  | Is permanent
- Turn the focus to rights  | Keeps the focus on responsibilities
- Add value to only one person  | Adds value to many people
- Look to past accomplishments  | Builds a legacy for the future
- Often evoke jealousy in others  | Generates respect and integrity
- Can only get you in the door  | Keeps you there

Maxwell and Dornan, 1997

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Many succeed momentarily by what they know;
Some succeed temporarily by what they do;
BUT
Few succeed permanently by what they are.

Maxwell and Dornan, 1997
Maintaining ethical standards

- Ethics training
- Ethical role models:
  - Top managers serve as ethical role models.
  - All managers can influence the ethical behavior of peers and subordinates.
  - Excessive pressure can foster unethical behavior.
  - Realistic in setting performance goals.
- Codes of ethics

Final Thought

- Managers (and workers) must accept personal responsibility for doing the "right" things.
- Managers play a crucial role in responding to public demands.
- Ethics and social responsibility play a central role in managers' decisions and activities.