I. Ethics

- The Moral Principles and Values
  the guide the actions and decisions
  of an individual or a group

II. BUSINESS ETHICS

- involves what is right and wrong in
  the workplace...and doing right.
III. Business Ethics: Who needs it?

NO ONE, BECAUSE:
1. It’s religion, not business.
2. Our people ARE ethical.
3. It’s for philosophers.
4. It’s Obvious--”Do Good”
5. It’s preaching

NO ONE, BECAUSE:
6. It’s just a recent fad.
7. Ethics can’t be managed.
8. It’s the same as “social responsibility.”
9. If a firm is not in legal trouble, it’s ethical.
10. Managing ethics has little practical relevance.

Well, maybe….BUT
- Nestle’s -- Infant formula
- Beech-Nut -- watered apple juice
- Manville -- asbestos & employees
- E.F. Hutton -- kiting scheme
- Union Carbide -- Bhopal, India
- Enron – Conflicts of Interest
- Worldcom/MCI – Inflated Accounting Reports
- Martha Stewart – Insider Trading
Nike – Questionable hiring practices

Background

- Nike has been heavily criticized for NOT being socially responsible.
- Accusation: use of sweatshops and child labor overseas, and horrible working conditions.
- Accusation: targeting low-income families by making shoes an expensive status symbol for poor urban street kids.

Corrective Behavior

- Code of conduct and six-point plan ensures more socially responsible labor practices & commissioned an independent study of Nike factories abroad.
- Created a huge social responsibility department and publishes a Corporate Responsibility Report.
- Donates more than $37 million to sports programs and 3 percent of earnings to charity.

Four ways to classify marketing decisions according to ethical and legal relationships

V. Some Criticisms of Marketing

- High prices
- Deceptive practices
- High-pressure selling
- Shoddy, harmful, or unsafe products
- Planned obsolescence
- Poor service to disadvantaged consumers

And the Impact on: 1) Consumers, 2) Society as a whole, and 3) other businesses
VI. High Prices

Caused by:
- High costs of distribution / Markups
- High advertising and promotion costs

Why such a difference between generic and branded product prices? Critics contend it is due to the cost of advertising.

BUT, in fact Markups reflect services customers want.
- More convenience,
- Larger store and assortments,
- Quality assurances,
- Return privileges, etc...

High Prices (continued)

Excessive Markups??

Average brand-name drug that costs $72, the generic version costs about $17.

Firms must cover the costs of purchasing, promoting, and distributing existing medicines plus the high R&D costs of formulating and testing new medicines ($800,000,000)

200 genes are involved with colon and breast cancers

Explains why tumors from the same organ look different across patients and why medicines seem to help some but not others.

Why would a firm spend the money to figure the problem out if it was not going to be able to recover its costs??

USA Today
High Prices

- SO, markups that result in high prices often reflect services customers want and are willing to pay for:
  - Convenience
  - Image
  - Safety
  - Service
  - Return privileges, warranties

VII. Deceptive Practices

- Deceptive Pricing:
  - Falsely advertising “factory” or “wholesale” prices or large reductions from phony high retail list prices; mortgage rates!
- Deceptive Promotion:
  - Overstating a product’s features or performance, running rigged contests.
- These are just WRONG and DESERVE criticism (and legal action, where appropriate!)

VII. Deceptive Practices

- Deceptive Packaging:
  - Exaggerating package contents through subtle design, using misleading labeling (food labels), etc.
VII. Deceptive Practices

This package of tomatoes LOOKS full, but the “bump” in the bottom is hidden by the label… the impression is that there are many more tomatoes in the package!

Deceptive Practices lead to:

- Legislation
- Is Puffery Deception?
- Harm Business / Buyer Beware

ADVERTISING CLAIMS OF GOOD AND BAD ACCOUNTING FIRMS:

GOOD

“We can untangle your financial mess! We can straighten out your back-tax problems!”

BAD

“We can crunch the numbers any way you want! We can estimate jail time!”

VIII. High-Pressure Selling

- Some salespeople are trained to deliver smooth, canned talks to entice purchase.
  - High-pressure selling persuades people to buy goods they had no intent of buying.
  - High-pressure selling can occur because of prizes going to top sellers.
- It DOES happen…
Confessions of a Car Salesman

Glossary to "Confessions"
See:
http://www.edmunds.com/advice/buying/articles/42962/page010.html

High-Pressure Selling

- BUT, it is not “standard business practice”
  - High-pressure selling is not good for long-term relationships.

IX. Unsafe Products

- Includes:
  - Products that are not made well or services that are not performed well.
  - Products that deliver little benefit or that may even be harmful.
  - Unsafe products due to manufacturer indifference, increased production complexity, poorly trained labor, and poor quality control, and outright dishonest people.
Unsafe Products

- Lead Paint on Toys made in China
- Salmonella problems in food supply
  - US Lawmakers Hear from Salmonella Victims, Peanut Plant Managers (The Justice Department is looking into criminal charges.)

Unsafe Products

Consumer Product Safety Commission
- Mission
  - “To protect consumers against unreasonable risk of injury by developing voluntary and mandatory standards, banning dangerous consumer products, issuing recalls of products already on the market, and researching potential hazards associated with consumer products.”
  - http://www.cpsc.gov/

Apel on Safe/Quality Products

Fix any problems and fix them right.
Get products that provide the little features that consumers won’t notice at first, but that they will appreciate later.
The result is a satisfied consumer who will be happy and who will come back and refer others!
X. Planned Obsolescence

- Products needing replacement before they should because they are obsolete
- Producers who influence consumer concepts of acceptable styles
- Intentionally holding back attractive functional features, then introducing them later to make old model obsolete.

The case of the Apple iPhone

- The Futurist: Why the iPhone Reeks of Planned Obsolescence
- Planned Obsolescence vs. Designed Deterioration
- Planned Obsolescence-Induced Insanity (Or: Damn You Steve Jobs! Why Must You Torment Me!!!)

XI. Poor Service to Disadvantaged Consumers

- Disadvantaged consumers are served poorly when:
  - Poor are forced to shop in smaller stores where they pay more for inferior goods.
  - “Redlining” by national chain stores occurs in disadvantaged neighborhoods.
  - Redlining charges have also been leveled against insurers, banking, health care providers and others.
Poor Service to Disadvantaged Consumers

- Poor are targeted for “rapid refunds.”
  - Fees start $130
  - 245% APR
  - 10.6 million low-income families participated
  - $1.4 Billion Industrial Profits

XII. Cultural Pollution

- Mass communication media is imprecise and reaches outside target segment,
- But, advertising keeps the cost of radio and television free and magazines/newspaper down, and
- Consumers can opt for technologies or media that reduce or eliminate ads

Questionable Judgments in Advertising

 Provocative ads for Clearasil have parents upset.

Questionable Judgments in Advertising

Are they:
“over the top”
Unethical
Humorous? Funny?
Should they be banned? Censored?
Or should consumer response be the main influence?

Clearasil Says

➢ Our objective is to inform and entertain, not to offend. We have found that Clearasil consumers see this ad as we intended: a humorous and unrealistic presentation of an awkward family event.

…and GoDaddy.com

2009 Super Bowl Ad "Baseball"
http://www.youtube.com/watch?v=kR5xbvSDLa4
GoDaddy.com

GoDaddy.com gives us a yearly education on what advertising is and does.

Do you like their Super Bowl ads?
• Rated on Artistic content; "sophomoric"
• Based on personal moral views; may look down upon them or find them offensive.
• But if you’re a marketer, you love them.
• Why? They work, and that’s why marketers spend money on advertising.

GoDaddy.com

Let’s look at 2009’s results:
• GoDaddy.com reports that sales of new domains are up 110% over last year’s Super Bowl campaign.
• TiVo reports that the GoDaddy.com “Baseball” ad was the most re-watched commercial of the game.
• GoDaddy.com reports that 70% of male and two thirds of female visitors to their website viewed the ads as entertaining.
• If you’re a CEO and your marketing chief comes to you with these figures, are you happy with the expense? If you’re a CMO and you get these results, are you going back to the well next year? Yes and yes.

http://www.mpdailyfix.com/2009/02/oscars_advertising_and_go_dadd.html/?adref=NmiF229

XIV. Management’s Response to the need to be ethical
➢ Corporate Culture
➢ Codes of Ethics
➢ Behavior of Top Management
  – Ombudsman for Ethics
➢ MANAGING the ethical environment of your firm and its employees!
Kosec
“Ethics Begins AT THE TOP”

If you are not ethical then I can’t trust or hire you!
We want to be honest in our marketing
MCI FAILED as a result of unethical practices
Sarbanes-Oxley
Ethics starts at the top and works its way down

Hunt on Ethics
“It all starts at the top”

Based on my experience, it all starts at the top.
At Sherwin-Williams the top managers are exemplary and they emphasize this in all areas of the firm.
As a result, it is a phenomenal place to work!

XV. Good ethics IS Good Business

➢ For shareholders
➢ For Employees
➢ For business partners
➢ For Customers/ Clients
➢ And for Society!
XVI. AMA Ethics Statement

http://www.marketingpower.com/AboutAMA/Pages/Statement%20of%20Ethics.aspx

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

AMA Ethics Statement

http://www.marketingpower.com/AboutAMA/Pages/Statement%20of%20Ethics.aspx

ETHICAL NORMS

As Marketers, we must:

1. Do no harm. This means consciously avoiding harmful actions or omissions by embodying high ethical standards and adhering to all applicable laws and regulations in the choices we make.

2. Foster trust in the marketing system. This means striving for good faith and fair dealing so as to contribute toward the efficacy of the exchange process as well as avoiding deception in product design, pricing, communication, and delivery of distribution.

3. Embrace ethical values. This means building relationships and enhancing consumer confidence in the integrity of marketing by affirming these core values: honesty, responsibility, fairness, respect, transparency and citizenship.

AMA Ethics Statement

http://www.marketingpower.com/AboutAMA/Pages/Statement%20of%20Ethics.aspx

ETHICAL VALUES

Honesty – to be forthright in dealings with customers and stakeholders. To this end, we will:

• Strive to be truthful in all situations and at all times.
• Offer products of value that do what we claim in our communications.
• Stand behind our products if they fail to deliver their claimed benefits.
• Honor our explicit and implicit commitments and promises.
AMA Ethics Statement

http://www.marketingpower.com/AboutAMA/Pages/Statement%20of%20Ethics.aspx

Responsibility – to accept the consequences of our marketing decisions and strategies. To this end, we will:

• Strive to serve the needs of customers.
• Avoid using coercion with all stakeholders.
• Acknowledge the social obligations to stakeholders that come with increased marketing and economic power.
• Recognize our special commitments to vulnerable market segments such as children, seniors, the economically impoverished, market literates and others who may be substantially disadvantaged.
• Consider environmental stewardship in our decision-making.

AMA Ethics Statement

http://www.marketingpower.com/AboutAMA/Pages/Statement%20of%20Ethics.aspx

ETHICAL VALUES

Fairness – to balance justly the needs of the buyer with the interests of the seller. To this end, we will:

• Represent products in a clear way in selling, advertising and other forms of communication; this includes the avoidance of false, misleading and deceptive promotion.
• Reject manipulations and sales tactics that harm customer trust.
• Refuse to engage in price fixing, predatory pricing, price gouging or "bait-and-switch" tactics.
• Avoid knowing participation in conflicts of interest.
• Seek to protect the private information of customers, employees and partners.

AMA Ethics Statement

http://www.marketingpower.com/AboutAMA/Pages/Statement%20of%20Ethics.aspx

ETHICAL VALUES

Respect – to acknowledge the basic human dignity of all stakeholders. To this end, we will:

• Value individual differences and avoid stereotyping customers or depicting demographic groups (e.g., gender, race, sexual orientation) in a negative or dehumanizing way.
• Listen to the needs of customers and make all reasonable efforts to monitor and improve their satisfaction on an ongoing basis.
• Make every effort to understand and respectfully treat buyers, suppliers, intermediaries and distributors from all cultures.
• Acknowledge the contributions of others, such as consultants, employees and coworkers, to marketing endeavors.
• Treat everyone, including our competitors, as we would wish to be treated.
AMA Ethics Statement
http://www.marketingpower.com/AboutAMA/Pages/Statement%20of%20Ethics.aspx

ETHICAL VALUES

Transparency – to create a spirit of openness in marketing operations. To this end, we will:

• Strive to communicate clearly with all constituencies.
• Accept constructive criticism from customers and other stakeholders.
• Explain and take appropriate action regarding significant product or service risks, component substitutions or other foreseeable eventualities that could affect customers or their perception of the purchase decision.
• Disclose list prices and terms of financing as well as available price deals and adjustments.

AMA Ethics Statement
http://www.marketingpower.com/AboutAMA/Pages/Statement%20of%20Ethics.aspx

ETHICAL VALUES

Citizenship – to fulfill the economic, legal, philanthropic and societal responsibilities that serve stakeholders. To this end, we will:

• Strive to protect the ecological environment in the execution of marketing campaigns.
• Give back to the community through volunteerism and charitable donations.
• Contribute to the overall betterment of marketing and its reputation.
• Urge supply chain members to ensure that trade is fair for all participants, including producers in developing countries.

AMA Ethics Statement
http://www.marketingpower.com/AboutAMA/Pages/Statement%20of%20Ethics.aspx

IMPLEMENTATION

We expect AMA members to be courageous and proactive in leading and/or aiding their organizations in the fulfillment of the explicit and implicit promises made to those stakeholders. We recognize that every industry sector and marketing sub-discipline (e.g., marketing research, e-commerce, Internet selling, direct marketing, and advertising) has its own specific ethical issues that require policies and commentary. An array of such codes can be accessed through links on the AMA Web site. Consistent with the principle of subsidiarity (solving issues at the level where the expertise resides), we encourage all such groups to develop and/or refine their industry and discipline-specific codes of ethics to supplement these guiding ethical norms and values.
Benefits of Managing Ethics

1. It improves society.
2. It provides guidance in turbulent times.
3. It cultivates teamwork & productivity.
4. It supports employee growth.
5. It helps ensure decisions are legal.
6. It helps avoid criminal acts of “omission.”
7. It supports quality initiatives.

Benefits of Managing Ethics

8. It promotes a strong public image.
9. It provides diverse corporate enhancements.
10. It’s the right thing to do.

Guidelines for Managing Ethics

1. Managing Ethics is a Process.
2. The “bottom line” is getting preferred behaviors in the workplace.
3. The best way to handle ethical dilemmas is to avoid them
   – Codes of Ethics and Codes of Conduct can help
Guidelines for Managing Ethics

4. Make ethics decisions in groups.
5. Integrate ethics management with other management practices.
6. Use cross-functional teams to develop and implement the program.
7. Help those who need it!
8. Give it a try!

Organizing for Ethics

1. The CEO MUST FULLY support the program (really).
2. Create an ethics committee at the board level.
3. Create an ethics management committee.
4. Develop an ethics officer.
5. Create an ombudsperson.
6. Assign responsibility for the ethics management program.

IMPLEMENTATION

1. Orient new employees to the ethics program.
2. Review the program in management training.
3. Involve staff in review of codes.
4. Involve staff in review of ethics and personnel policies
IMPLEMENTATION

5. Practice resolving real ethical dilemmas.
7. Leaders must behave ethically.
8. Provide materials to all staff.

Business Ethics Links

Complete Guide to Ethics Management: An Ethics Toolkit for Managers
http://www.managementhelp.org/ethics/ethxgde.htm
GET IT!

Business Ethics Links

Browse to a links page:
http://www.personal.kent.edu/~lmarks/ethics/index.htm