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Normative Perspectives for Ethical and Socially Responsible Marketing

Gene R. Laczniak and Patrick E. Murphy

This article presents a normative set of recommendations for elevating the practice of marketing ethics. The approach is grounded in seven essential perspectives involving multiple aspirational dimensions implicit in ethical marketing. More important, each basic perspective (BP), while singularly useful, is also integrated with the other observations as well as grounded in the extant ethics literature. This combination of BPs, adhering to the tenets of normative theory postulation, generates a connective, holistic approach that addresses some of the major factors marketing managers should consider if they desire to conduct their marketing campaigns with the highest levels of ethics and social responsibility.

Keywords: *marketing ethics; ethical marketing; normative marketing theory; marketing norms and values; socially responsible marketing*

Marketing culminates when people decide to satisfy their needs and wants by engaging in an exchange transaction (Bagozzi 1975; Buzzell 1999). In this sense, much of marketing activity can be viewed as systematic sales outreach by organizations to various members of the consumption community and by extension, to society (Preston 1968; Webster 1974; Robin and Reidenbach 1987). When exchange occurs, there are its effects on the primary transacting parties, but also a residual shaping force on society often having ethical ramifications (Adler, Robinson, and Carlson 1981; Jacobsen and Mazur 1995; Davidson 2003). We believe this is equally true when the marketing process is dynamically conceived as the "cocreation" of knowledge about services between sellers and customers (Vargo and Lusch 2004).

Regardless of exactly how exchange happens, every transaction has an impact, major to imperceptible, on society. The most common outcome measures of market transactions involve *economic* impacts such as the macro measures of GDP and aggregate consumer spending, as well as micro measures of sales and revenues at the company level. But exchange, because it is *social*, also must have its outcomes evaluated in terms of fairness or rightness on all marketplace parties—the purview of normative marketing ethics (Martin 1985; Laczniak and Murphy 1985, 1993). In this manner—through the evaluation of marketing's social influences—marketing *practice* and marketing *ethics* are inextricably connected (Smith and Quelch 1993). As N. Craig Smith (1993) insightfully observed, "Every marketing decision implicitly if not explicitly, has ethical dimensions. Accordingly, acting on values requires marketing managers to have a keen grasp of ethical considerations within a marketing decision" (p. 14). This article is foremost about the ethical considerations that marketers should understand, aspire to, and consider in order to improve the ethics of their operations within their firm and in society.

THE ETHICAL INFLUENCE OF MARKETING ON SOCIETY

Kotler and Armstrong (2003), in their influential textbook, captured this communitarian aspect extremely well with their description of the *societal marketing concept*. Originally delineated in the 1970s (Kotler 1972), this idea holds that "organizations determine the needs, wants, and interests of target markets and then strive to deliver superior value to customers in a way that maintains or improves the customers' *and the society's* well being" (Kotler and Armstrong 2003). Indeed, there can be little debate that the marketing system operates in a broad social context. Basic marketing textbooks (e.g., Perreault and McCarthy 2000) have often represented this context as a set of "external environments" usually including the political, ecological, economic, social-cultural, and technological sectors, each of which influences the actions of all business organizations in some way. As illustrated in Figure 1, the aggregate marketing system is shaped by society even as the marketing system also has an impact on society itself. From an external, analytic perspective, the main effects of transactions are economic but not exclusively so. At the firm or micro level,

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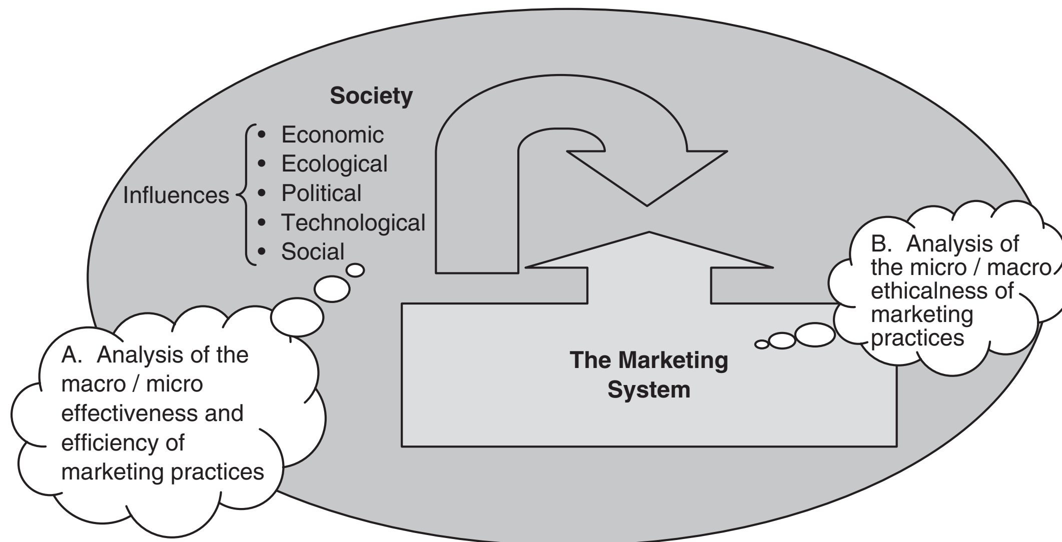

FIGURE 1 TWO TYPES OF ANALYSIS IN THE MARKETING AND SOCIETY NEXUS

marketing managers (and other interested parties, such as academics) mostly engineer the *effectiveness* and *efficiency* of individual marketing practices and approaches. This "economic concern" is represented in Figure 1 by the *larger* thought bubble, labeled "the analysis of the economic efficiency and effectiveness of marketing practices." It is in this context marketers focus on the *managerial* appropriateness of what they do and not so much on the degree of an action's moral rightness. Academic and professional associations of marketing practitioners refer to such analysis as refining the science of marketing (Academy of Marketing Science 2005). These economic-impact considerations, appropriately so, are the ones particularly central to the pedagogy of MBA programs when addressing marketing strategy.

But consistent with the idea of marketing also influencing societal well-being, it is also imperative to thoughtfully analyze the *ethics* of marketing practices. Even the most cautious and traditional business theorists and practitioners are willing to grant that business practice is both judged and constrained by social norms of behavior, and therefore, the considerable influence of social outcomes always weighs heavily on business decisions (Elias and Dees 1997). For example, at the Harvard Business School, all MBAs now take a class titled, "Leadership and Corporate Accountability." The course premise (Badaracco 2005) reads in part: "Business leaders are responsible for efficiently allocating resources and creating wealth. On the other hand, business leaders are responsible for carrying out this task in ways that are legally, ethically and socially desirable. In every thing they do . . . leaders must be attentive to both these objectives. Neglecting either one can be perilous" (p. 1).

As documented by Wilkie and Moore (2003), the marketing literature has shown a rich and insightful tradition of societal analysis, including a long-standing effort of ethical inquiry (Walton 1961; Alderson 1964; Patterson 1966; Bartels 1967), but this approach has seemingly fallen out of the mainstream in recent years. Therefore, the "social-ethical impact" dimension of marketing practice is represented in Figure 1 by the decidedly *smaller* thought bubble, labeled "the analysis of *ethics* in marketing practices."

In the tradition of the dichotomy popularized in the marketing literature by Hunt (1976), ethical questions about marketing practices can be examined at the level of the individual firm (micro questions) or as they influence society in a collective way (macro questions). Professional organizations such as the American Marketing Association (AMA) likewise document ethical considerations as instrumental to their purposes. Specifically, the AMA mission statement (2004) includes as one of its central tenets, "To advance the thought, application *and ethical practice* [emphasis added] of marketing." The Academy of Marketing Science (2005) also commits its membership to "the highest of ethical standards" in the pursuit of its mission to create and disseminate marketing knowledge and further marketing practice.

Not surprisingly, the pragmatics of company goals, as well as the defined job responsibilities of individual managers, directs the majority of marketing outcome evaluation toward various micro (firm-level) practices even as consultants and marketing academics further refine the theories that justify particular strategic approaches to marketing problems. It is not so much that the consideration of ethics is actively opposed in organizations; rather, it is somewhat forgotten in the understandable quest to achieve economic and financial goals. Focus on various micro-level aspects of marketing is predictable; one only needs to look at the corporate emblems on the employment contracts of managers

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to understand this concentration (Aaker 2005; Day 1986). This preoccupation with the pragmatics of practice should not preempt the importance of ethical and social evaluations (i.e., the societal marketing concept) and the need for marketing managers to also be attuned keenly to these moral issues. As Day and Montgomery (1999) wrote of the marketing and society interface in assessing some of the fundamental issues likely to challenge the marketing discipline in the early twenty-first century, "Unfortunately, some of the consequences [of marketing] have not been positive for consumers or for society at large. We hope that academic marketing will direct theoretical and empirical research toward these issues . . . to inform public debate" (p. 12).

NORMATIVE APPROACHES TO MARKETING ETHICS

To this purpose, the set of basic perspectives (BPs) offered below address the broader moral dimensions that should ideally characterize the marketing and society interface even as firms each operate autonomously to serve their outcomes. In that sense, ethical commentary in this article applies to the practices of *all* marketing organizations even as certain observations may be especially relevant to a particular few companies or industries. Continuing the dichotomy language of Hunt (1976), the approach taken here is intentionally "normative." In other words, our perspective about marketing ethics in this article is *not* mainly concerned with the *positive* details of *what is*, such as percentage of marketing firms that currently have ethics codes or their extant policies about honest reimbursement in sales rep expense accounts. Rather, it is about the normative *what can be*, that is, what marketing organizations *ought to* consider to better evaluate and improve their ethical behavior. The normative tradition of marketing ethics has had numerous manifestations in the trade literature, especially in the form of assorted "thou shalts" or "shalt nots" concerning various tactics in marketing. But comprehensive theorizing that offers more universal guidance has been conspicuously lacking in the literature. In surveying such writing, Dunfee, Smith, and Ross (1999) found only four frameworks in marketing ethics research with a distinctly normative orientation. Those are the following: Laczniak (1983), Williams and Murphy (1990), Reidenbach and Robin (1990), and N. Craig Smith (1995). These works will be linked to our formulations, as appropriate, in the narrative below. True to the conception of normative ethical theory (Bishop 2000), our observations are intended "to advocate and establish guidelines" for better ethical marketing practice rather than attempting to report what practitioners say these presently are.

At its core, this commentary lays out a set of BPs essential for better understanding and improving the ethical role of marketing in society, especially from the managerial standpoint of individual firms. The explicit purpose of the article is to highlight many of the enduring moral questions facing marketers, such as the following:

- What general dimensions do managers and academics need to consider when challenged with issues regarding whether their particular marketing practices are good or bad for society?
- How can marketing managers begin to assess whether their products are sold, priced, distributed, and promoted in a fashion that can be designated as morally right and fair?
- What are the fundamental predispositions necessary for rendering judgments about whether various marketing practices, policies, and strategies are ethical or unethical?
- What do marketing organizations aspiring to operate at the highest ethical level need to address?

In providing the normative commentaries that address these questions, it is our intention to suggest elements for improving ethical practice as well as to challenge academics to further test and refine these concepts. Along the way, various examples of presumably unethical marketing practice are featured, but this utilization is intended more to illustrate these perspectives than to provide a detailed analysis of specific issues.

THE NATURE OF THE ESSENTIAL BPS

With an eye to the above purposes, seven BPs are described and explained. These are *summarized* in Figure 2. Together, the perspectives create a figurative and aspirational "star" for the analysis and improvement of marketing ethics. The BPs put forward are interactive and integrative. Each BP is intended to be helpful taken by itself, but each approach also further nuances and informs the other BPs (as will be discussed below) in order to create a gestalt of the elements useful for comprehending and bettering ethical behavior in marketing. The BPs can assist committed marketers in evaluating the relationship of their marketing practices to society. Again, the approach pursued here is unapologetically normative; that is, the perspectives delineated are prescriptive and inspirational in order to help interested managers and macro analysts sharpen their thinking about the nature of ethical marketing practices and about how ethics might be better nurtured in the organization. Appendix A delineates how the BPs discussed below conform to the elemental requirements of normative ethical theory postulation in business ethics (Bishop 2000).

The individual BPs discussed below are not unique and represent a synthesis of the ethics literature. However, this particular set of recommendations, applied to marketing and linked together in the integrative manner described below, constitute a dynamic, comprehensive, connected perspective that will enlighten and empower marketing executives committed to ethical decision making. The BPs are grounded in theory where possible and are intended to provide insight not only about the propriety of various marketing practices from an ethics standpoint but also about what highly ethical marketing ideally can be. Our hope is that each perspective will stimulate commentary and, where appropriate, empirical validation as to its effectiveness when organizations try

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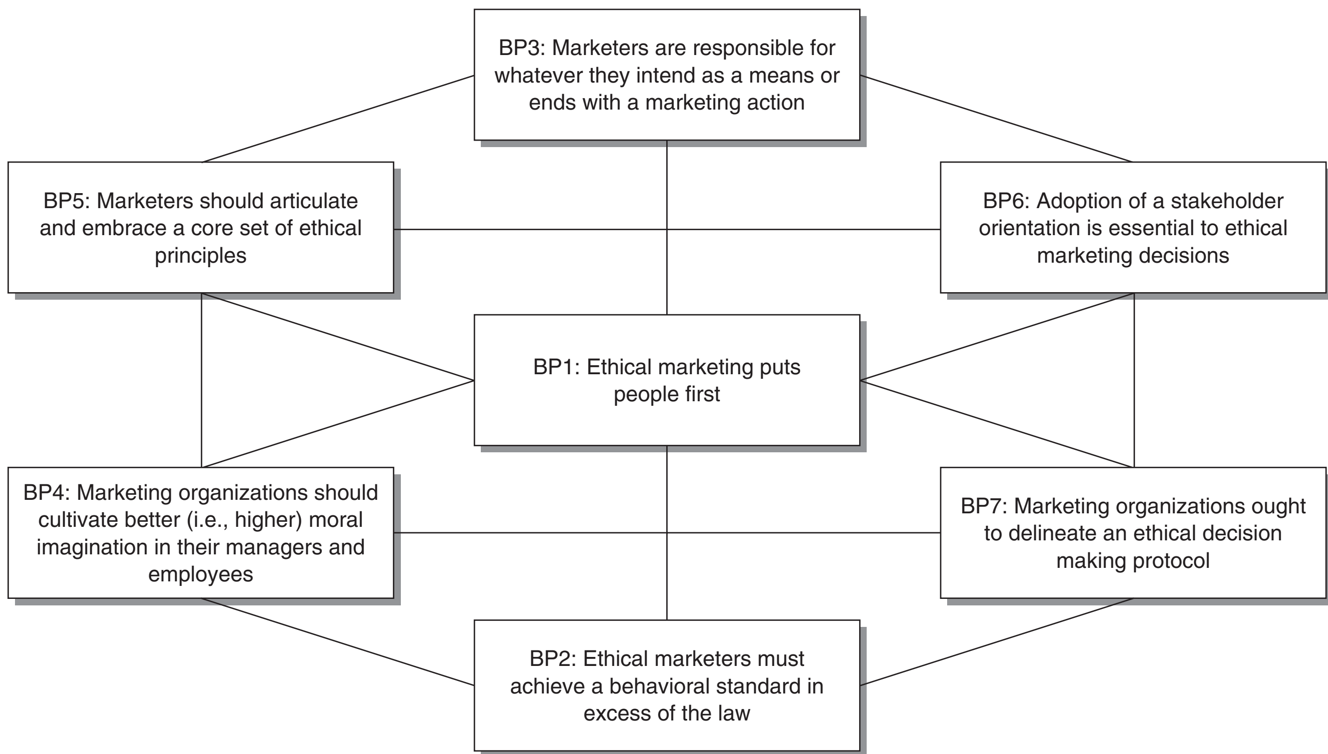

FIGURE 2 A SUMMARY OF THE ESSENTIAL BASIC PERSPECTIVES (BPS) FOR EVALUATING AND IMPROVING MARKETING ETHICS

to live these ideals. In this way, *normative* marketing ethics connects back to *positive* marketing ethics, which describes the current state of affairs concerning the prevailing moral practices of marketers. Positive marketing ethics has developed a rich tradition represented by tests of the now classic Hunt-Vitell model (1986) demarcating how marketing managers actually make their ethical decisions. And, it is only in knowing how managers approach ethical problems that one can begin to assess the gap between current practices and the postulated ideals of normative marketing ethics. Therefore, for the express purpose of animating the highest standards of ethical practice and drawing on fifty years of relevant literature, the normative BPs (articulated below) have been formulated. They are anchored in moral philosophy, business ethics research, corporate social responsibility frameworks, public policy thinking, religious values, legal guidelines, and a modicum of utopian idealism about how marketing practices might be ethically improved from both an organizational and societal standpoint. It is with the crucial social perspective in mind that we begin our discourse.

BP1—Societal Benefit: Ethical Marketing Puts People First

The marketing system should always be of service to people. To make this happen, ethically concerned marketers should seek to fully comprehend their societal influence and to ensure their marketing operations create a perceived and real social benefit. People should never be treated merely as cogs in the marketing system, whether they are customers, employees, suppliers, distributors, or some other stakeholder. Marketers who ignore critical public opinion—the articulated attitudes of the populous—or whose practices overtly or covertly damage society place their firms in substantial ethical and financial jeopardy. Managers ought to begin their deliberations about the ethical impact of marketing activities on society with this fundamental dictum of "people first" as their guide if they hope to prosper in the long run.

At a casual level, that marketers should serve people seems a straightforward observation intuitively consistent with the revered marketing concept (Keith 1960; Levitt 1960, 1975). Yet this primary and complex BP requires some elaboration. Most marketing managers properly believe that the market is well served when business operations are structured to cater to the customer (Drucker 1954; McKitterick 1957). As the erudite Professor Drucker (1954) observed, "There is only one valid definition of business purpose: to create a customer" (p. 37). In general, this orientation is also highly useful to society and consistent with classical economic theory because a system of mutually agreed-to exchanges among producers and consumers leads to subsequent benefits

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for many by allowing for the division of labor in our economic system (A. Smith 1776/1976). Indeed, perhaps the fundamental tenet underlying recommended marketing practice is to subscribe to the marketing concept, that is, to accept the notion that most of marketing planning is driven by the discovered needs and desires of consumers, and then to align organizational resources in a manner that creates sustainable, competitive advantage for the firm (Anderson 1982; Hunt and Morgan 1995).

More important, however, consumer satisfaction is only a first-order understanding of what ethical marketing is about (Deshpande 1999). Substantial satisfaction for a particular segment of consumers does not necessarily translate into *net* benefits for society. Clearly, the satisfaction of some consumers sometimes allows for dysfunctional second-order effects or beyond. Tobacco marketing is the most obvious example. Smokers willingly pay for this product and are presumably satisfied in the short term. But recent social history has made clear the horrific long-term effects of this particular product (e.g., Scheraga and Calfee 1996). From a societal standpoint, it is at this second-order or even third-order effect of marketing practice that ethical questions often unexpectedly emerge.

Consider the following examples. The availability of easy-to-get and aggressively marketed financial credit (a mostly desirable characteristic in developed economies) can cause major problems among some in a college population not sufficiently mature to handle debt or discerning enough to avoid the temptations of the attractive purchases that are easily obtained with a readily accessible credit card (Palmer, Pinto, and Parente 2001). Similarly, consider the unintended spillover of alcohol advertising to underage markets. Various ad campaigns, although legal, may plant images in youngsters that underscore a dysfunctional message of enhanced sociability and personal attractiveness resulting from alcoholic beverage consumption (Leiber 1997). In light of such possibilities, extant rules presently restricting alcohol advertisements to programming with more than 50 percent adult audiences *might* seem arbitrary and not nearly restrictive enough. And, many customers of all backgrounds respond to Internet spam solicitations and are matched with products that deliver (more or less) what they promise. Yet the satisfaction of this minority does not eliminate the reality of most consumers being highly agitated by the growing presence of spam advertising. Granting some (first-order) satisfied segments of consumers, the second-order effects (or beyond) of certain debatable marketing practices, such as spam solicitations, can be socially troubling and disturbing to many and has resulted in "can spam" legislation (Chang 2004). This particular "fix" has thus far been ineffective.

Marketing strategies work best and most ethically when they enjoy the support of society. Typically, marketers will earn that long-run support when most people feel (including noncustomers) served by the implemented marketing practice (Lazer and Kelly 1973). Given our stipulation that societal affirmation is essential to ethical marketing, the context of marketing operations in the broader society is worth briefly reviewing.

In the aggregate, marketing firms collective foster the transactions necessary to maintain a system of complex change in the economy. Individual firms possess the right to participate in that socially beneficial commercial network (i.e., to cocreate with consumers a service opportunity whose value is realized through a mutual exchange process). From a U.S. perspective, the relegation of commerce to the private sector is rooted in the U.S. Constitution, article 1, section 8. This is the so-called commerce clause, and it also gives the U.S. Congress the explicit power "to regulate Commerce with foreign nations, and among several states, and with Indian tribes" (Steiner 1975). Marketers encounter similar regulatory potential when operating in global markets as well (Schlegelmilch 1998). Therefore, when business firms each engage in their selected markets, they assume economic risk in exchange for the possibility of proportionate reward (i.e., profit). But the license to potentially profit comes with an obligation, implicit in commercial undertakings, that marketing managers may not consider. Like Adam Smith's invisible hand, there exists an additional group of unforeseen factors that weighs into business decisions. Kenneth Arrow (1973), Nobel laureate in economics, wrote about the economic system and captured this perspective quite eloquently:

> There is still another set of institutions, if that is the right word, I want to call to your attention and make much of. These are invisible institutions: the principles of ethics and morality. Certainly one way of looking at ethics and morality, a way that is compatible with this attempt at rational analysis, is that these principles are agreements, conscious, or, in many cases, unconscious, to supply mutual benefits . . . the fact that we cannot mediate all our responsibilities to others through prices, through paying for them, makes it essential in the running of society that we have what might be called "conscience," a feeling of responsibility for the effect of one's actions on others. (p. 309)

The major upshot of BP1 and our related commentary is that marketing managers have an undeniable responsibility *to society* for their decisions along with their employing organizations. For instance, Donaldson and Dunfee (1999) would connect social responsibility in marketing to an understood social contract between business and society that implicitly ought to inform decision making. Because the license to engage in commerce constitutes a social contract, there is a social responsibility to see to it that the marketing decisions made by managers serving their employers do not disadvantage society. Consistent with this view, society, via the law and evolving public opinion, is the final judge as to whether particular marketing activities, like those discussed above, individually and/or collectively, serve broader community interests.

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According to BP1, the market system primarily is to be at the service of people. Hence, this proposition strongly suggests that *persons* (especially the consumers in a marketing transaction) *should never be viewed as merely a* means *to a profitable* end. Those familiar with moral philosophy will recognize this decision rule as a marketing-oriented version of Immanuel Kant's well-known categorical imperative, second formulation (Kant 1785/1981; Bowie 1999). Marketing practices violating this means-versus-ends proposition are, at minimum, ethically suspect. Selling tactics that treat consumers as mostly means rather than ends likely include the following:

- *High-pressure selling tactics* such as those in certain sectors of the financial services or real estate industries (e.g., junk bonds peddled by "boiler room" investment firms, sales of variable rate annuities to the older elderly, or various hard sell time-share condominium presentations)
- *Coercion in the channel distribution*, such as demands for price concessions, by the channel partner having significant economic leverage (e.g., the periodic dealings of big box retailers with their suppliers concerning slotting fees and price deals [Fishman 2003])
- *Over-the-top psychological approaches*, such as the use of fear appeals in the sale of home security systems or elective cosmetic surgical procedures
- *The sexual exploitation of women* (or other demographic stereotyping) in magazine advertising for attention-etting purposes
- *Price gouging* in times of product shortage, such as in the aftermath of hurricanes or other natural disasters

When marketers treat their stakeholders mainly as means, they flunk the test of placing people first (e.g., Karpatkin 1999). The inability of marketers to adhere to the dictum of never treating their consumer (and other stakeholders) as merely a means to an end, if sustained, will usually result in the invocation of the "iron law of social responsibility"—an exercise by regulators that, from a cost standpoint, is often detrimental to the violating marketer or perhaps all marketers. The *iron law of social responsibility* posits that *when entities, such as marketing organizations, have great economic power and do not exhibit proportionate social responsibility, they will have their power proportionately diminished* (adapted from Davis, Frederick, and Blomstrom 1980). Usually, the diminishment of business freedom takes the form of additional regulations.

A recent and powerful example of the exercise of this "iron law" in the business environment is the promulgation of the Sarbanes-Oxley Act (2002) to deal with the spate of business ethics scandals involving companies such as Enron, WorldCom, Adelphia, and Tyco (PricewaterhouseCoopers 2003). Because a few CEOs, CFOs, and auditors did not discharge their imputed social and ethical responsibilities, a sweeping new set of costly regulations was enacted that restricted the latitude of governance actions corporate officials might take. Sectors of the marketing community have recently experienced similar legislative backlash, as witnessed by the suppression of the telemarketing industry with state and federal "do not call" lists and the temperance of online marketing research with children through the Children's Online Privacy Protection Act [COPPA] regulations motivated by several unfortunate abuses of children's privacy on the Internet (Lans-Retsky 2004). This discussion of legislation as the solution to marketing excesses at the expense of all parties leads to a necessary articulation of the distinction between marketing ethics and marketing law.

BP2—Two Realms: Ethical Expectations for Marketing Must Exceed Legal Requirements

Ethical marketers must achieve a behavioral standard in excess of the obligations embedded in the law. Typically, the law represents the lowest common denominator of expected behavior for marketing and business practice (Westing 1967; Carroll 1991). Ethical marketing organizations always should strive to exceed the legal minimums of social compliance. Thus, the law and ethics represent two-tiered layers of constraint impeding socially troubling marketing practices. It is worth distinguishing more formally between these two concepts—law and ethics—and their interconnected realms.

- *Marketing law* constitutes the baseline expectations upon marketing by society. It is a black letter set of rules and regulations that are codified over time to address the dynamics of business practice that deals with the marketing function (Welch 1980; Stern and Eovaldi 1984; Oswald 2002). The formalization of restrictions by law typically lags public opinion and therein lays one danger of only relying on the law to guide the boundaries of behavior. Obvious examples of marketing laws and related regulatory oversight include antitrust legislation, which modulates competition; the Federal Trade Commission (FTC), which oversees sales and trading practices in the United States; the Consumer Product Safety Commission (CPSC), which specifies the safety standards for various products and dictates the removal of harmful products from the marketplace**;** and the Food and Drug Administration (FDA). There has been a slow but steady increase in the regulation of marketing activities over the years (see Sprott and Miyazaki 2002). Even granting the existence of several ill-conceived business laws and regulations, when firms intentionally break the law, they are quite likely to be in *ethical* jeopardy as well (Cohen 1995; N. Smith 1993).
- *Marketing ethics* encompasses the societal and professional standards of right and fair practices that are expected of marketing managers in their oversight of strategy formulation, implementation, and control. The most basic ethical standards are often articulated in professional codes of marketing conduct. The Norms and Values statement of the AMA, revised in 2004, is presented in Appendix B. It represents a useful, *duty-based* specification of marketer responsibilities that exceed those codified in law. It is illustrative of the expectations incumbent in the practice of marketing not captured by law. While basic theories of ethics do not change over time, the norms and values that are clearly embraced by society, or by a profession at any period in time, are subject to slow shift. For example, in the early to mid-twentieth century, the operation of retail stores on Sundays in the United States would have been perceived by many as unethical.

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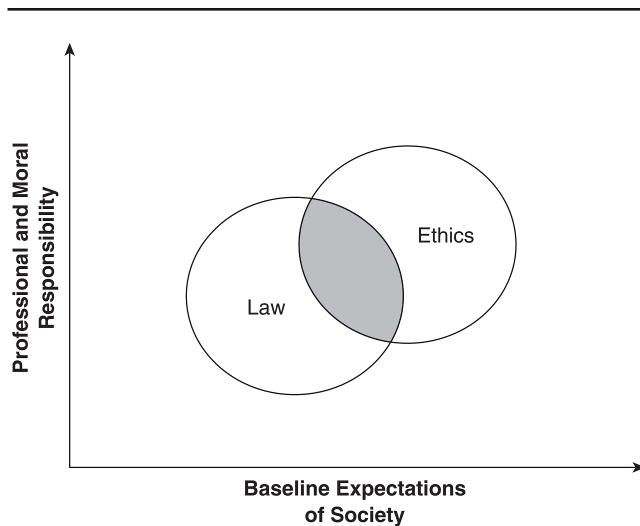

FIGURE 3 THE RELATIONSHIP OF ETHICS AND THE LAW: ONE PERSPECTIVE

Clearly ethics and the law are connected, but they are not the same (Halbert and Ingulli 1997). Understandably, many questionable marketing practices are both illegal and unethical. Examples would be price fixing as well as bait and switch advertising. However, many other marketing techniques and strategies may not be illegal but could raise ethical questions. For example, "ambush marketing"—creating an ad campaign that mimics a competitor's special event promotions for which they have paid sponsorship fees—is not illegal per se but generates spirited debate among ethicists and practitioners concerning its inherent fairness (O'Sullivan and Murphy 1998). Finally, a few practices are illegal but not necessarily unethical. For instance, providing small "grease payments" in certain foreign markets, while technically legislated against in these countries, may constitute a business practice that is both commonplace and widely expected (Kaikati and Label 1980; Carroll and Buchholtz 2003).

Figure 3 provides a useful way to envision the relationship of ethics and the law as it often applies to marketing practice. In this instance, the Y, or vertical, axis represents *moral and professional responsibility* and the X, or horizontal axis, represents *societal expectations*. An examination of Figure 3 underscores the following two points:

- *Ethics embodies higher standards than law*. Ethics is typically the leading edge of regulation, thereby implying a higher standard of professional/moral responsibility than law and incorporating wider latitude of societal expectations. In this sense, ethics anticipates the dynamics of societal attitudes and opinions concerning marketplace fairness that eventually may be proscribed and embodied in the law. When an ethical issue is first called to the attention of marketers, there are likely to be several possible solutions to the problem. But as negative public opinion grows, regulators may impose their singular solution upon marketers (Jennings 2006). For instance, numerous ethical questions were raised about telemarketing practices *prior to* the institutionalization of do-not-call lists in various states' legislation and eventually in federal law (Vence 2002). Similarly, sellers of alcoholic beverages and tobacco products were asked to temper their advertising use of cartoon characters and "lovable" animals appealing to children, *before* the enactment of formal regulations severely restricting such approaches on TV shows directed at children.
- *Ethics implies assuming more duties than law*. Normally, ethics bestows a greater obligation of moral duty upon marketing managers than merely conforming to the law. The AMA Norms and Values statement (Appendix B), for example, delineates the basic moral standards *expected* of marketing professionals by society, but most of these are not institutionalized in laws. The Integrated Social Contracts theory approach to business ethics would characterize such guiding norms as creating moral free space for members of a professional group (i.e., marketers), who then use those precepts as a motivating behavioral cue (Dunfee, Smith, and Ross 1999). In contrast, marketing managers, who are primarily legal minimalists and thus seek to exclusively conform only to the law, will likely exhibit a lower behavioral standard. This lowered standard could easily jeopardize their company's reputation and subject the organizations to negative consequences if society's higher expectations are not met by marketers who appear to be lax in their ethical discharge (see BP4).

Adhering mainly to the law as the dominant guideline for judging the propriety of a marketing practice is often motivated by the *agency theory* perspective of management (DeGeorge 2006). According to the agency approach, management acts solely as an agent of the stockholder and is responsible for maximizing investor return—the presumptive primary concern of shareholder groups. Shareholder goals are conceived as predominantly financial, although the rapid growth of socially responsible investing (and other developments such as the sustainable-economics movement) seems to belie this viewpoint (Thompson 2004). Consistent with agency theory, ethical actions are often perceived as discretionary if not required by law; ethics is seen as costly because it often requires expenditure of supplementary organizational resources in order to achieve conformance with social norms. This view was captured by Milton Friedman's (1970) famous analysis of corporate social responsibility: the social responsibility of business is to increase profits. In his classic work, *Capitalism and Freedom* (1962), Friedman characterized social responsibility as a subversive doctrine and wrote, "There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception and fraud" (p. 133).

In contrast to agency theory, adherence to an ethical perspective in marketing management is most commonly driven by *stakeholder theory* (Freeman 1984). This approach posits that a firm has important responsibilities to other parties

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(e.g., employees, suppliers, distributors, the host community). These responsibilities extend beyond contractual obligations and, with some regularity, can supersede the immediate objectives of investors and/or stockholders. Stakeholder theory is a normative theory of corporate responsibility because it asserts that ownership rights are not always primary and exclusive because business operates under an implied social contract (see BP1) that grants certain rights to other parties. The addition of these other stakeholders to the calculation of required managerial responsibilities automatically restores a greater societal orientation into the debate about the propriety of marketing (and business) practices, because it formalizes the consideration of their viewpoint as a matter of expected protocol (Goodpaster 1991; Donaldson and Preston 1995). The acceptance of stakeholder claims as central to an organization's purpose has the effect of elevating ethical examinations to a level of expectations that goes significantly beyond legalistic minimums. Additional discussion about the essential and enduring effects of recognizing stakeholders' claims and the ethical posture of firms is included in BP6.

BP3—Intent, Means, and End: Three Essential Components of Ethical Analysis

When formulating marketing campaigns, marketers are responsible for their intent, as well as the means and end of a particular marketing action. This essential perspective requires some deliberate explanation. As analysts adjudicate the ethical dimensions of a questionable marketing practice, that practice can, and usually should, be divided into three distinct components—the intent of the action, the means or method by which the practice is implemented, and the end or consequences of the strategy or tactic. The intention is what marketers want to happen, the means is how they carry out the action, and the consequences are what actually happens. The quality of ethical analysis that is conducted, whether internal or external to the firm, is improved by such a separate consideration because it allows marketing analysts to sharpen their insight about how a particular marketing situation might be perceived. This approach forces managers to focus not only on the outcomes of their decisions (something that typically has their attention) but also on the process of how they make decisions (see also BP7).

From the viewpoint of an outside party, there is little doubt that the *intent* of a particular marketing action, in terms of its ethical purity, is the most difficult element to judge because it requires evaluating the internal motivation behind a company's particular actions or policy. From a legal standpoint, intention often involves judging what a party could reasonably foresee might happen when taking a particular action or set of actions. Because many seller motivations are hidden, the intent behind marketing strategies or tactics can be rationalized ex post facto by the decision maker in a manner that obscures or shields the formulator from responsibility for a dubious marketing strategy. For example, the creators of a TV advertisement that depicts an overweight child as a "pathetic loser" in a competitive contest or portrays a Hispanic man as a "work for food" gardener might claim that they did not intend to perpetuate social stereotypes and thereby offend certain audience segments. When receiving unexpected criticism, creators of debatable marketing tactics commonly claim ignorance of the offense or deny any intended slight, whatever their true and original intention. Nevertheless, intent sometimes can be deduced with reasonable confidence by examining circumstance. For example, when me-too marketers attempt to closely emulate the colors or trademark of a market leading brand, causing consumer confusion in the marketplace, the calculated intent seems to be relatively clear-cut and logical. Similarly, if marketers of highly violent video games consistently advertise on TV programs with the highest attainable number of young adolescent boys as audience members (even when following industry guidelines in only promoting these products on programs watched by a majority of adults), the motivation behind such practices seems arguably clear. In these instances of stereotyping in advertising, trademark caricature, and willfully targeting a vulnerable market segment, probable marketer intent can shed considerable light on the likely ethicalness of a particular marketing action.

The *means* (or method) of executing a marketing strategy is the second component of a marketing action that requires scrutiny to judge its ethical nature. Obviously, certain practices (e.g., predatory pricing) are explicitly forbidden by law. However, an analysis of the specific means used in the execution of a particular marketing strategy can provide useful insight into the ethical propriety of a debated marketing action. For instance, widely promoted *product rebates*, which then require multiple documentation (i.e., proof of purchase, Universal Product Code [UPC], retail seller verification, etc.) as well as an overly detailed set of conformance steps by the consumer to successfully execute that redemption, seem by their very method of administration to be ethically questionable (Grow 2005). Similarly, the portrayal in TV ads of pliant and submissive women easily available to those who drink a particular brand of beer (witness the numerous depictions of beer bimbos in past light-beer ad campaigns) seems a *means* of promotional campaigning that at least raises ethical questions solely because of its method of thematic execution (Lawton 2003).

The third component to be addressed in assessing the ethicalness of a questioned marketing action is its *outcome*. Because many outcomes have considerable overt visibility associated with them, the consequences of marketing actions are probably the easiest components for outsiders to judge when analyzing the acceptability of particular marketing actions and should always be considered.

One especially useful framework for judging the ethics of business practices based on this approach was advanced by

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Garrett (1966), and it provides the theoretical basis for BP3. The straightforward pragmatism of his particular method of analysis—*the proportionality framework*—holds considerable appeal for decision-oriented marketing managers interested in applied ethics. Garrett's *principle of proportionality* combines all the essential elements into one ethical decision-making rule that encompasses and refines *BP3: marketers are responsible for whatever they intend as a means or an end. If both are good, they may act accepting a certain (i.e., minor) risk of side effects***.**

According to Garrett (1966), with regard to side effect outcomes, marketers should avoid actions that result in a direct major negative outcome for another stakeholder. For example, a seller who rigs a bidding process in order to secure a supply contract has caused a major negative harm to other economic parties competing for the same business. That is, others lose the chance at the contract because of a patently unfair competitive practice. Shareholders lose the opportunities presumptive in the profit margin of a lower bid. The fact that the bid-selected product might well meet the buyer's specifications and be perfectly instrumental for its intended purposes does not negate the unethical outcomes to other bidders caused by bid rigging the purchase process.

Marketing practices that intentionally cause (or are likely to cause) a major negative outcome for stakeholders affected by the transaction at focus should always be scrutinized for their ethical propriety. Sometimes there are unintended side effects from marketing actions that are taken by sellers that also cause major or minor negative outcomes. If these side effects can be designated as major negative outcomes and they are foreseeable, the action must always be subject to careful ethical evaluation. For example, suppose a marketing firm has been successfully selling personal watercraft (jet skis) to an increasing number of satisfied consumers when it comes to their attention that there has been an alarmingly high rate of injury among younger adolescents when they operate the watercraft without parental supervision. This outcome occurs despite the fact that the product has passed all industry safety standards and there is a warning label on the watercraft prohibiting the operation of the personal watercraft by drivers under 12 years old. In this instance, it is probably unethical for the firm to go forward with further sales without some further intervention (e.g., a mandatory water safety class for family buyers) because the major side effects of the product (a high rate of injury to minor operators) is generating a significant or negative consequence for some stakeholders (family members of personal watercraft buyers).

It is true that almost any marketing action can have unintended side effects. And, on occasion, win-lose situations are inevitable such as when, for instance, a large retailer receives a favorable zoning ruling to establish a new distribution center but environmental groups (technically secondary stakeholders) continue to protest or call for company boycotts despite a ruling that favors the retailer. Similarly, some small proportion of an audience watching television might view ads for Viagra or other erectile dysfunction products and could be offended by such advertising. However, such unintended, negative side effects of marketing actions, if minor, are parts of the complexities of an advanced marketing system and can be tolerated from an ethical standpoint.

In the last analysis, Garrett's (1966) proportionality framework is still highly judgmental. For example, what constitutes a *major* negative outcome versus a *minor* negative outcome from an ethical standpoint? Which side effects are *intended* versus *unintended*? This entire approach rests on marketing decision makers being fairly sophisticated and reflective in their ethical perceptions and moral intuitions. Mascarenhas (1995) developed a diagnostic framework, tailored to marketing settings that can provide some additional guidance for making precisely these types of judgments. While this three-component framework of intention, means, and outcome is not a perfect system for judging the ethics of a particular situation, when used in combination with other basic perspectives (see BP5), it can serve as a helpful, initial analytic, inherently recognizing that marketing decisions are multifaceted and complex and demand evaluation from different standpoints to validate their propriety. The proportionality approach is also particularly useful in balancing the claims of various stakeholders affected by marketing actions (see BP6).

BP4—Marketing Managers Differ in Moral Imagination and Development: Four Types

Marketing organizations striving to improve their ethical aptitude should cultivate better moral imagination in their managers by hiring and training those who will likely understand and appropriately apply moral reasoning. In most firms, the managers making marketing decisions will differ in their ability to evaluate and resolve ethical issues. This is because managers will possess varying levels of moral development. Some marketing executives will have little ethical sensitivity, while others will have the capacity for significant moral imagination—that is, the character and ability to morally reason to creative ethical solutions when encountering an ethical question (Werhane 1999). In other words, managerial quotients of moral sensitivity and capability will not be the same, owing to different life experiences and core values, as well as their basic human character (Hosmer 1994). Given this realistic state of affairs about critical ethical evaluations, organizations should seek to understand the nature of these different personal moral aptitudes and strive to instill an improved ethical reasoning capacity among their managers.

Theoretically, this natural variance among managers is best recognized by Kohlberg's (1969) framework of moral development. Business firms have the potential to use such thinking throughout their executive development programs when seeking improved social responsiveness (James 2000).

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While Kohlberg's framework was formulated by studying the cognitive moral development of children, not managers, research evidence shows that training and instruction can improve the moral development of managers (Pennino 2002). Similarly, empirical evidence exists that managerial moral styles vary greatly across organizations as well (Srnka 1999). The importance of perspectives such as Kohlberg's depends on realizing that, in many instances, a firm's ability to handle ethical issues is only as good as the capability of its managers. Case histories of how organizations handle ethical challenges support the face validity of this approach (Pastin 1986; Boatright 1995). Recognizing managerial differences in moral imagination implies that, given directed training, managers can enhance their ethical skills. At the most basic level, inspired directly by Kohlberg, we would posit four broad types of marketing managers.

1. *Egoistic marketing managers* are the least morally developed and have a strong tendency to resolve moral situations based on their own immediate interests and consequences. Individuals at this comparatively undeveloped stage of moral thinking give strong weighting to the incentives and sanctions that will affect only them. The language that characterizes this managerial approach includes rationalizing phrases such as the following: "everybody else does it"; "the lawyers haven't told us this is wrong"; "we were only following orders" (Jennings 2003). Such managers respond mostly to organizational rewards and punishments, and their personal moral resolve is relatively immature because of their preoccupation with personal or company gain. Marketers at this unrefined stage of moral development will include individual egoists who will choose actions that benefit mostly themselves, given this sort of option. And unfortunately, at the extremes, there may also be some "crooks" in this category—managers who know the actions being taken are wrong, but who will choose to do them anyway because of the probable personal payoffs involved. Surely, the pirate CEOs and CFOs who raided Enron, WorldCom, Tyco, and Adelphia are of this corrupt category of manager (Murphy et al. 2005).
2. *Legalist marketing managers* are the second type. They overtly espouse the law as their guide in adjudicating the propriety of any marketing action. As explained in BP2, they embrace predominately an agency approach to their managerial duties. Legalists often perceive business as a game, with profits and return on investment (ROI)-type measures the winning criteria; all tactics not expressly prohibited by law as "in play" regardless of consequences. Carr (1968) succinctly captured the essence of this perspective in his famous article, "Is Business Bluffing Ethical?" He wrote: "Our customs encourage a high degree of aggression in the individual's striving for success. Business is our main area of competition, and it has been ritualized into a game of strategy. But as long as a company does not transgress the rules of the game as set by law, it has the legal right to shape its strategy without reference to anything but its profit" (p. 149). This law-equals-morality approach certainly undercuts the obligation of ethical reasoning for such managers.
3. *Moral strivers,* our third type, are those marketing managers who have progressed in their moral thinking and development to the point where they are capable of considering and balancing multiple stakeholder claims when adjudicating what constitutes an ethical imperative. The empathy-for-others capacity is what distinguishes these moral strivers from egoistic managers since their ethical reasoning often will be tempered by additional relevant factors such as organizational loyalty (e.g., to coworkers and suppliers) and other basic duties to society (e.g., written guidelines embodied in industry or professional codes). Nevertheless, strivers are still heavily dependent on company rules and policies in their assessment of moral situations. Some moral striver managers are susceptible to falling back on minimalist expectations and reverting to an egoistic or legalistic approach in the absence of readily available guidance. Other strivers really want to do the right thing, but prevailing organizational concerns, such as signals from upper management, demands to meet financial objectives, or an uncertainty about proper norms, sometimes lead them to avoid the time-consuming work of ethical reasoning. Put another way, unless provided with some form of codified ethical guidance, strivers often lack the moral imagination to creatively reason through the more complex ethical problems. This state of affairs helps provide an answer to the often asked question, Why do seemingly good marketing managers sometimes make unethical marketing decisions?
4. *Principled marketing managers*, our fourth type, have reached a high level of moral development. Managers who attain this sophisticated state address their ethical problems by regularly applying both prevailing ethical norms and applicable laws to the specific situation. Principled managers also have substantial moral imagination and therefore are better able to foresee the ethical impacts of their marketing decisions on others; they have developed the moral capacity to incorporate basic stakeholder claims, industry norms, and legal constraints into their moral calculations; they can creatively apply universal ethical principles—ones they believe all fair-minded managers should follow given a similar set of facts or situations. One study found this group to be in the minority (Drumwright and Murphy 2004). BP5 provides specific illustrations of such guiding principles.

Our executive training and development experience has shown that in a typical marketing organization, the moral development of managers will vary, with most managers being of the moral-striver type. This view is consistent with opinion polls of executives conducted over the years, where the vast majority of executives assert that they try to do the right thing most of the time (Laczniak et al. 1995). Thus, a common situation involves morally striving managers, who when facing an ethical question are guided by relevant laws *along with* the specifically articulated ethical norms of their particular organization. In these cases, when ethical norms and values are well-defined, striver marketing managers will be in a better position to apply company and industry guidelines to the ethical question at hand and then reason to an ethical solution.

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Many morally striving managers also might be described as "seekers" because they are looking to do the ethical thing but need training and organizational guidance to do so. When faced with difficult ethical questions, some marketing managers, failing the availability or clarity of specific guidelines from the organization, quickly revert back to the position of egoists or legalists constrained only by the limits of law in seeking personal or organizational advantage. Accepting such easier approaches basically allows sidestepping the challenge of ethical analysis by adhering to minimal legal requirements or personal hubris. The strategic implication of this discussion for organizations is that, if firms are trying to achieve better ethics, they should attempt to articulate, communicate, and reinforce all those ethical norms and values considered to be essential for their company and industry sector (Murphy 1989). This will allow managers who are *strivers* to have the necessary ethical guidance and will decrease the tendency of some marketing managers to retreat back exclusively to legalistic or egoistic thinking. A protocol useful for channeling the ethical decision-making process for managers is discussed in BP7.

The task of organizations serious about their ethical operations is to try to minimize the number of egoistic managers (sadly, the plain crooks [see Murphy et al. 2005] may be beyond help with regard to ethics training) and to move them at least to the striver level of moral thinking via ethics education. Furthermore, given the propensity of egoist managers to respond mainly to rewards and punishments, organizations must strive to significantly reduce managerial opportunities to capture illicit rewards that might be gained by engaging in unethical actions (Ferrell and Gresham 1985). Such opportunities are usually minimized through strong internal company compliance programs and a system of corporate governance with plenty of checks and balances. Incentives for organizations to reduce legal penalties *if* or *when* they do transgress are provided by the Federal Sentencing Guidelines for Organizations (FSGO) regulations (LeClair, Ferrell, and Fraedrich 1998; Laczniak and Roberson 1999).

Principled managers, that is, those who have developed ethical value systems and the capacity for consistently applying them, are also in the minority in most organizations. Cultivating ethical managers, who are such *moral exemplars* and who will always try to pursue what is morally right in their marketing decisions, is the ideal for those firms aspiring to operate at a highest ethical plane. In conformance with BP2, companies should insist that simply complying with the law is not sufficient to achieve meritorious corporate citizenship and ethical responsibility. It is often postulated that virtue is its own reward, but the pragmatic benefit of having principled managers—those who know the core values of the firm and always try to apply it in their decisions—is that such leaders can embody essential moral imagination and propel their organizations to the forefront of enlightened social responsibility. Some argue that being a corporate "good guy" leads to greater customer loyalty (e.g., Ben & Jerry's ice cream), greater employee retention (e.g., NML Financial Services), and better access to equity capital (e.g., Google). But whether being the moral exemplar *directly* corresponds with economic reward is the subject of much debate (Cochran and Wood 1984; McWilliams and Siegal 2001). Good companies do not necessarily do best financially. But, avoiding major ethics scandals certainly seems to mitigate major corporate punishments and their associated costs (Johnson 2003). In other words, unethical companies seldom finish first, and often they do not survive, as Enron and Arthur Andersen attest.

Commonly, one motivation for principled managers to live out high ethical ideals comes from a highly developed ethical culture (Ottoson 1982). Such an ethical culture may be the result of the values of the company founder, or it may come from a longtime CEO who expects fair play and honesty in all operations (George 2003). Corporate cultures that are ethical do not just happen by chance; rather, they are the result of a premeditated effort on the part of a corporation to explore their values, articulate them, and then train all employees in the details and importance of living these company ideals (Paine 2003).

BP5—Five Essential Ethical Precepts for Enlightened Marketing

Marketers who aspire to operate on a high ethical plane should articulate and embrace a core set of ethical principles. A definitive distillation of the essential moral precepts for evaluating marketing practice is as illusive as ranking business schools or creating the perfect Graduate Management Admission Test (GMAT) exam. All marketing firms need to reflect on the core values referenced in their company ethics statements and then work to derive an appropriate list of sacrosanct ethical guidelines. However, five ethical principles for assessing the propriety of marketing practice are offered to stimulate debate and further the dialogue about enhancing marketing ethics. An honest review and attempt to use these normative principles will go far in generating the ethics conversation among managers and/or policy makers necessary to improve marketing practices. Articulating such an idealistic and normative set of principles is in conformance with the deontological (or duty-based) approach to ethics that often characterizes professional codes of conduct (Boylan 2000).

These principles also might be considered a preliminary answer to a question implied by BP4 and address ethical issues concerning the rightness or fairness of various marketing tactics. Since marketing managers with moral imagination are essential to ethical organizations, several principles should be regularly integrated into their moral reasoning.

Ethical questions about marketing could be raised by managers (e.g., Can I pad my expense account to recover gratuities incurred as part of my business travel?), customers

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(e.g., Is this price fair?), regulators (e.g., Should direct mail sellers incur the cost of collecting the appropriate state sales tax?), the media, competitors (e.g., Should all material product claims contained in advertising be substantiated on the company Web site?), as well as other stakeholders. Just raising an ethics question does not presuppose a practice is unethical. For example, many questions have been asked about the practice of product "puffery," that is, vigorously exaggerating a product attribute for dramatic effect (Preston 1994). As an illustration, stating that a new model sports coupe has an engine that "purrs like a kitten" would be a product puff. Many analysts find most puffing tactics to be ethically defensible even though they usually raise some concerns.

Of the five ethical precepts to be discussed, two of them (nonmalfeasance and nondeception) are regularly included in business codes of conduct. The other three principles (protection of vulnerable markets, distributive justice, and stewardship) advocate an elevated level of ethical responsibility that is likely to stimulate greater debate and challenge among marketing practitioners because they demand a much higher threshold of required moral obligation.

The first essential ethical standard is the *principle of nonmalfeasance*. This is a basic rule of professional ethics, and it states that *marketers should knowingly do no major harm when discharging their marketing duties*. This principle also helps operationalize the ethical concern regarding possible negative outcomes of marketing actions discussed as part of BP3. This precept finds its historical roots in the Hippocratic Oath of physicians and serves as a fundamental expectation of responsible, professional business practice as well (Drucker 1974). It has been embodied in various marketing codes of conduct. Similar to the legal concept of *implied product warranties*, it underscores the unstated guarantee by sellers to buyers that products and services offered are safe, to the best knowledge of the marketer, if used as intended by the consumer. Thus, this principle demonstrates its value by enshrining the assurance of product safety into the practice of ethical marketing. While the legal *doctrine of strict liability* may, in some cases, result in financial liability for sellers even when a marketer did not know that a product was harmful (Morgan 1989), the motivation behind the nonmalfeasance principle is to explicitly codify the ethical duty of marketers not to take premeditative action that could cause customers a serious dysfunction (i.e., harm). Under this principle, it seems that marketers of herbal health supplements, whose possible side effects have been widely questioned by the medical community, might be judged as ethically delinquent for continuing to promote the sale and usage of such products. Dubious weight loss regimens and artifacts would be subject to a similar charge.

Our second essential moral precept is the *principle of nondeception*. This principle states that *marketers ought to never intentionally mislead or unfairly manipulate consumers*. It is consistent with BP1's notion of respecting people, particularly focusing on the integrity of marketing communications. Case law, as well as regulation concerning deceptive practices like those overseen by the FTC, is a useful *minimum* for understanding the scope of this often complex principle (Murphy and Wilkie 1990). This involves considerations such as articulating the specific type of product claims that might mislead reasonable consumers. However, the ethical rationale behind the principle of nondeception is grounded more thoroughly in the theory of virtue ethics (MacIntyre 1984; Williams and Murphy 1990). The importance of nondeception is built on the supposition that *trust* is the foundation of an efficient marketplace and that this characteristic is nurtured largely by ongoing marketer honesty. Specifically, over time, consumers will not be able to trust sellers or their brands if they are intentionally manipulated or deceived (Brenkert 1997). Deceptions such as the overselling of extended warranties that very likely are not needed by consumers, "channel stuffing" by sales reps in order to meet monthly sales quotas or quarterly division revenue projections, overpromising the capabilities or delivery of anticipated new products (e.g., vaporware), and the abuse of word-of-mouth marketing (e.g., creating false or exaggerated buzz marketing) illustrate violations of this principle.

The third moral precept for marketing is the *principle of protecting vulnerable market segments*. Such uniquely vulnerable market segments would include children, the elderly, the mentally feeble, and the economically disadvantaged. *Marketers must always take extraordinary care when engaging in exchanges with vulnerable segments* (Brenkert 1998). The rationale undergirding this particular principle stems from the basic tenets of human dignity and is anchored in the doctrines of all major religions (Murphy et al. 2005). For example, in 1965, a key document of the Roman Catholic Church, currently being publicized on its fortieth anniversary, contains the following admonition: "In the economic and social realms . . . the dignity and complete vocation of the human person and the welfare of society as a whole are to be respected and promoted. For the person is the source, the center, the purpose of all economic and social life" (*Catechism of the Catholic Church* 1994, 582). The importance of human dignity in U.S. culture is widely grounded in a multiplicity of America's Judeo-Christian religious traditions (Camenish 1998; Pava 1998), and this concept persistently calls upon all members of society to be particularly mindful of the most disadvantaged, exploited, or marginalized. Eastern religions have similar ethical precepts at their core (e.g., Rice 1999). In a marketing context, this principle compels providing special protections to those parties with depleted bargaining power in the marketplace (Alford and Naughton 2001).

The most obvious differentiating characteristic of vulnerable segments might be low economic resources or leverage (i.e., poverty), although vulnerability might also stem from information deficits (e.g., the lack of appropriate consumer

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education, financial literacy, or emotional maturity) or even the lack of meaningful product choice (N. Smith 1990). The moral force behind the vulnerable market principle is that these market segments might be easily susceptible to exploitation by unscrupulous sellers who are in a position to manipulate the transaction. Marketers, understanding this, have the duty to avoid the potential exploitation of the weak. For example, the high interest rates charged by the rent-to-own home furnishings sector are a poster child illustration of such abuse in the marketplace (Lacko, McKernan, and Hastak 2002). Also firms that exploit the marketplace illiteracy of children (e.g., junk food in primary schools), the depressed information-processing capability of the mentally feeble, or the economic desperation of the poor (e.g., payday loan stores) are likely violators of this principle regardless of the legality of these marketing practices.

A fourth essential moral precept for marketing is the *principle of distributive justice*. This principle is closely related to the preceding one in the sense that it is focused on the macro and systemic marketing effects directed at certain at-risk segments of consumers (Laczniak 1999). It further addresses the issue of outcomes raised in the discussion of BP3. Specifically, the principle of distributive justice suggests that *there is an obligation on the part of* all *marketing organizations to assess the fairness of marketplace consequences flowing from their collective marketing practices*. While individual firms may practice ethical marketing, differences among consumer segments affect their access to reliable information. Thus, some segments of the market might be regularly left out or shortchanged because of their lack of economic leverage due to financial circumstances or the inequities caused by controls over the channel of distribution. For instance, the principle of distributive justice likely would come into play if it turns out that a supermarket chain allocates better cuts of meat, fresher produce, and newer health-oriented food items to outlets located in more affluent areas. In such a situation, distributors controlling multiunit stores in various markets are contributing to marketing injustices if that practice generates unequal purchase opportunities for certain segments on a systemic, ongoing basis.

The theoretical foundation of the principle of distributive justice is sourced in theories such as that of philosopher John Rawls (1971). Central to this discussion is the *difference principle* of Rawls, which can be usefully thought of as a corollary to the previously discussed vulnerable market segment principle, as well as to justice in distribution. The difference corollary would find *marketing practices are unethical if, over time, they contribute to the further disadvantage of those segments of the market that are least well off in terms of information, economic resources, access to supply, market literacy, and other factors essential to marketplace transactions*. This ethical dictum is likely to be highly controversial with many marketers because it represents a sort of affirmative action program for impoverished consumer segments in the marketing system (Laczniak 1983). Following the thinking of Rawls, the difference principle calls upon marketers to refrain from engaging in marketing practices and strategies that further harm those market segments already in a vulnerable position. To be ethical under this corollary requires marketing approaches that improve or are at least neutral to those consumers who are least well-off, that is, to those at the bottom of the marketplace pyramid (Prahalad 2005).

A practical marketing manifestation of vulnerable markets might stem from the so-called "digital divide" (Gordon 2002). In this instance, various social commentators have suggested that the lack of computer access, training, and broadband Internet capability among low-income consumers has reduced their ability to avail themselves to various product options and price discounts made possible through e-commerce. If one accepts the reality of the digital divide, then market access of a significantly disadvantaged group (e.g., the poor) has been further reduced even though no single marketer may have acted unethically. This example offers a further classic illustration of how the earlier discussed second- or third-order effects of marketing can raise ethical questions from a societal standpoint (BP1). This specific situation also implies a "collective" ethical responsibility among all marketers to help rectify the overall state of affairs for these consumers. Precisely how that responsibility is apportioned among various marketing firms is problematic but not unsolvable. Proponents of distributive justice, in the example at hand, would contend that the greater the reliance of particular marketers on e-marketing and e-commerce, the greater their ethical responsibility. Similar to the vulnerable markets principle, issues of distributive justice imply superordinate obligations for marketers who target consumer segments that may have already experienced negative marketplace outcomes because of the secondary effects (or beyond) of marketing practices (Mascarenhas 1995). For example, the alcoholic beverage and distilling industries have special obligations to promote the moderate consumption of alcohol because of the social costs of alcoholism; similarly, the casino and gaming industry has unique ethical obligations because of the societal consequences attributable to the dysfunctions of gambling addiction.

Finally, a fifth moral precept of enlightened marketing is the *principle of stewardship*. This principle reminds marketing managers of their social duties to the common good. This principle also connects back to BP1 and its theme of societal benefit because it reminds marketing managers of their responsibility to act for the betterment of their host environments and community. Specifically, following the principles of stewardship, *marketers are obligated to ensure that their marketing operations will not impose external costs on society, especially the physical environment, that result from their internal marketing operations*. Employing illegal immigrants at reduced wages in order to control retail store costs, knowing that incremental social cost accrues to

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the community (e.g., additional health care, education, and law enforcement), is an example of this principle's violation. The aesthetic pollution caused by the overuse of billboard advertising and other electronic signage in outdoor settings is another clear example of such a marketing-imposed externality. The stewardship principle particularly addresses environmental/ecological responsibilities incumbent on organizations. It suggests that marketers have a moral obligation to protect the environment via a socially sustainable pattern of consumption such that damages are not imposed on the ecological system in a way that penalizes future generations (Ottman 1993; Wasik 1996; Murphy forthcoming). Such environmental imperatives are well established in various "model codes" of business operations such as the global Caux Round Table (1992) and CERES (1989) operating guidelines. Such ideals are embodied in the sustainable development movement that led Starbucks to purchase more coffee from local cooperatives in Latin America, and they underlie the goals of the Kyoto (environmental) accords, although the United States is not a signatory to this latter agreement. The principle of stewardship also suggests obligations help their host communities when the opportunity allows. Positive examples of organizations embracing the stewardship principle involve McDonald's Corporation, in the early 1990s, eliminating nonbiodegradable polystyrene containers for many of its menu items and returning to more ecologically compatible (and higher cost) paper packaging and General Electric's current Eco-Imagination campaign to improve the environmental posture of the company. The AMA Statement of Norms and Values (2004) addresses further activities related to this principle under the rubric of the marketer's duty of *citizenship* (see Appendix B).

BP 6—Six Basic Stakeholders: Embracing the Stakeholder Concept

The adoption of a stakeholder orientation is essential to the advancement and maintenance of ethical decision making in all marketing operations**.** A stakeholder orientation embodies the notion that marketing organizations operate in and on behalf of society. Failing the acceptance of a stakeholder approach results in the default position that marketing activities exist mainly to maximize shareholder return, subject only to obeying the law (see BP2).

In its broadest conception, *a stakeholder* is any group or individual who can affect, or is affected by, the achievement of the organization's objectives (Laczniak and Murphy 1993). There are typically at least six basic stakeholder groups for most organizations. *Primary* stakeholders are three groups in number: investors (or owners) along with customers and employees. These groups are primary because they are typically necessary to the completion of successful exchange transactions in a complex marketplace, and their claims normally trump those of other stakeholders. *Secondary* stakeholders include suppliers/distributors, many of whom may have a contractual relationship with the marketing organization and are essential partners in the well-being of the firm. Host communities and the general public are two additional and important secondary stakeholders. These latter two stakeholder groups have a vested interest in the social outcomes influenced by marketing operations. The media, while sometimes included as a stakeholder, might best be conceived as the "eyes and ears" of the host community and the general public. Continuing this physiological analogy, legal and political institutions that oversee competitive fairness and market regulations (and other constraints over business organizations) might be usefully characterized as the mind-set of public sentiment (see BP1).

In *theory*, a stakeholder orientation is well accepted by portions of the business community and, nominally at least, deemed to be extremely important. An examination of various exemplary corporate values statements and codes of ethics gives prominent play to the role of stakeholders in business operations (Murphy 1998). Certainly the discipline of marketing ascribes a great voice to customers as the focal point of market planning and, via the *marketing concept*, gives credence to the belief that the customer is the core concern of savvy marketing organizations. And in many companies, employees also are elevated to a first-level position as the experience at Southwest Airlines testifies. Sadly, it also happens that upper management sometimes extols employees as being the company's most important asset, even when they are not treated as such.

Actual business and marketing practice diverges from stakeholder theory because, in a pragmatic world, shareholders are sometimes viewed as the only primary stakeholders that really matter (Carroll 1995). If a genuine stakeholder orientation is not truly central to marketing operations, a long-term habit of ethical behavior becomes nearly impossible.

The *agency approach*, defined previously, embodies the alternative perspective and suggests that management primarily serves in the interests of maximizing shareholder value. Following this perspective of "investor return always comes first," regularly advocated and embraced by financial analysts, employees are not necessarily primary stakeholders but merely another element of production (i.e., human capital) to be mixed and matched along with physical materials and capital assets. Neither are customers always primary stakeholders, although they may help cocreate value; instead, they can be perceived only as the means to a profitable end—the ethical miscalculation discussed in BP1. Since the agency approach stipulates shareholders as the exclusive stakeholder group of concern, suppliers and distributors are also open to financial pressure for concessions when economic leverage makes this possible. Employees are downsized when they are perceived to be substitutable for lesser cost technology, and the work of loyal, long-standing employees is automatically outsourced if a better cost alternative for production or supply becomes available.

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According to this maximum-returns view, customers are not viewed so much as "king" but rather as the subjects of ABC ranking—where less valuable "C" customers are ignored or intentionally driven away because spreadsheet projections indicate their future projected patronage will never be particularly profitable (Brady 2000). Recent marketing strategy recommendations suggest that even loyal, easy-to-retain customers are best ignored if the forecast future value of their purchases is not likely to be sufficiently high (Nunes, Johnson, and Breene 2004). When only shareholders and/or owners matter, this approach inherently raises major ethical questions because it excludes societal concerns when managers formulate marketing strategy. Therefore, investor-centric mania can inhibit the organization's ethical development. At times even owners, who are always defined to be among *primary* stakeholders, are not well served by management. This occurs when top officials hijack the organization by making it a tool of upper-level managers and/or administrators, such as when CEOs and CFOs pad their personal financial accounts in the form of kingly compensation, delivered via stock options, bonuses, deferred compensation packages, or outright embezzlement. One need only to look at the recent history of Sunbeam, Ahold, Parmalat, Health South, and the New York Stock Exchange to find unconscionable examples of organizations where the primary stakeholders and/or owners were not well served by their executive leaders and Boards of Directors (Peterson and Ferrell 2005).

Implementation of a workable stakeholder concept is one of the greatest challenges facing organizations that desire to operate on a high ethical plane. It requires the thorny effort of determining who exactly stakeholders are in particular situations, what duty is owed them, and what power they hold to affect the future direction of the organization (Mitchell, Agle, and Wood 1997). Implementing a true stakeholder orientation also depends on a decision-making system that is flexible and adaptive. It must allow for the systematic weighting and due consideration of likely outcomes on various stakeholder groups that result from particular marketing decisions. Often the most effective stakeholder approaches (Clarkson 1998) involve using a specified decision-making regimen (see BP7), based on strong ethical values (BP5) that minimize the likelihood of disadvantaging (i.e., causing major harm) relevant stakeholder groups (BP3). Also useful to such approaches is the specification of core values that the organization stipulates will never be violated in its operations anywhere. For example, such core values might include the following:

- Only pursuing marketing opportunities where the organization has demonstrated technical competence
- Always adhering to the rule of law in all markets where the corporation operates and assuming this to be "the floor" of the more elevated and enlightened behavior that is expected
- Developing specific policies that address special ethical questions peculiar to particular industry sectors of operation (e.g., strenuous employment screening for the home health care companies to protect the vulnerabilities of their ill and/or elderly clients; special safety-testing procedures in the toy manufacturing industry)
- Supporting host communities (a secondary stakeholder) with philanthropy and corporate volunteerism as company resources allow
- Taking the organizational steps necessary to build an ethical marketing culture; that is, developing ethics codes, ethics training programs, ethical audits, and the commitment of top management to operate the firm with an abiding respect for human dignity

Ignoring a stakeholder orientation can be measurably damaging to the brand equity of company products, the ability of the organization to attract future managerial talent and equity funding, and even the survival of the corporation itself. For example, Firestone's failure to give proper attention to customer safety and to recall faulty brands of its tires on a timely basis led to the marked diminishment of the once great Firestone brand and its financial control by Bridgestone during the late 1980s. Remarkably, Firestone revisited such mistakes a decade later (Ferrell, Fraedrich, and Ferrell 2005). Similarly, widespread sexual harassment of middle-level employees by Astra Zeneca managers at U.S. facilities in the mid-1990s created an understandable suspicion among future female managers who might have considered developing a career at that organization (Maremont 1996). And the failed self-understanding by public accounting house Arthur Andersen that it needed to serve its primary stakeholders—investors and the public—rather than the client managers, who dangled lucrative consulting contracts, helped speed the demise of this historically distinguished accounting firm (Toffler and Reingold 2003).

Establishing the delicate balance of stakeholder claims involved in complex decisions is a subjective and judgmental weighting process that necessarily results in some winners and some losers. The status of primary stakeholders (owners, employees, and customers) means exactly that; their claims and interests normally have primacy over those of secondary stakeholders. Consistent with BP3, as long as only minor harms are involved and as long as burden is not borne by the least advantaged (BP5), stakeholder trade-offs in favor of primary stakeholders—especially owners and/or investors—are to be expected. For example, the decision to place a food distribution center in an outlying suburban area may satisfy most primary stakeholders (such as shareholders, customers, employees) and yet alienate some in the host community, as the particular municipality might be trying to restrict economic development to mostly residential establishments. So be it. When marketing strategies are complex, seldom is every stakeholder a winner. But the ultimate point is that acceptance of the stakeholder approach internalizes into the fabric of the organization a moral sensitivity about the multipronged influences of marketing decisions on disparate groups—an essential point of examining marketing ethics.

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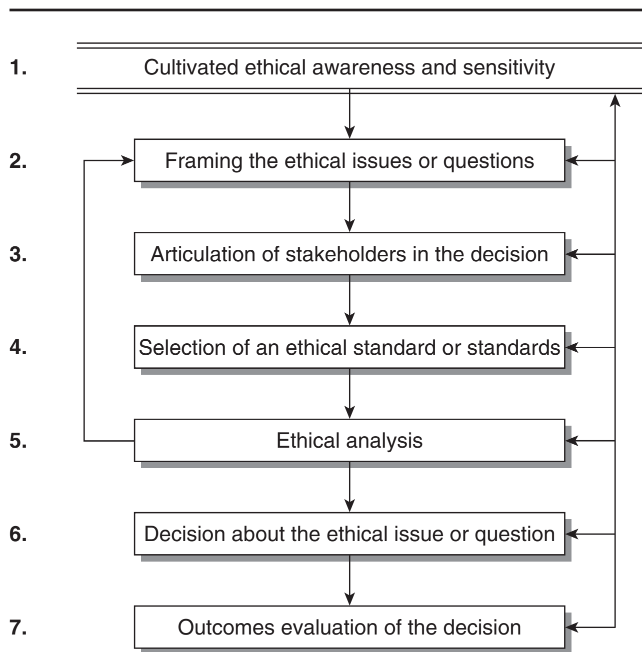

FIGURE 4 A PROTOCOL FOR FORMULATING THE ETHICAL EVALUATION PROCESS IN MARKETING ORGANIZATIONS

BP7—The Seven Steps of Moral Reasoning for Marketing Managers

Marketing organizations striving for exemplary ethical conduct ought to delineate an ethical analysis protocol and train their managers to follow it. The ability of managers to "ethically" reason is the sine qua non of organizations seeking to operate on an elevated ethical plane (Moberg and Seabright 2000). One such protocol is charted in Figure 4. Moral reasoning, of course, presupposes as its first step the ability of managers to be ethically aware. Such ethical perceptivity is important because moral questions in marketing cannot be addressed unless they are first recognized. For example, despite numerous governmental challenges to their aggressive accounting practices in the years preceding the Enron collapse, Arthur Andersen leadership did not seem to recognize that they were sliding into an unethical abyss, lubricated by legal settlements via consent degree (nonadmission of guilt), whenever their client audits were questioned by the federal government (Byrne 2002). As discussed in BP4, the ethical sensitivity of managers is deeply affected by their personal moral development. In addition, a manager's ethical awareness and moral imagination is a function of environmental factors such as the corporate culture of the organization (see BP5), the extent to which explicit ethical values have been articulated in a corporate mission statement (see BP6), the level of commitment by top executives to company integrity, as well as the presence of ethical training opportunities for a firm's employees. More will be said about some of these conditions later.

Assuming that managers have a reasonable degree of moral awareness, ethical reasoning is next aided by the application of an ethical protocol, that is, a process that helps managers render an ethical judgment. Our suggested approach next unfolds with the *framing of an ethical issue* (step 2). Specification of the particular ethical question is necessary to effective moral reasoning whether a firm is internally assessing its own marketing programs (i.e., microanalysis) or whether outside parties (e.g., public policy makers) are evaluating broader industry practices (i.e., macroanalysis). An illustration of ethical microanalysis in framing an issue might be a petroleum services firm that questions whether its proposed advertising campaign depicting a racially diverse workforce should be implemented when, in fact, the racial base of its employee group is quite homogenous. An example of macroanalysis in framing an ethical issue might involve a state regulatory agency questioning whether quick-loan financial service outlets might be judged as unfair in a U.S. economy where the *annual* prime rate has been hovering around 4 percent but such organizations' *monthly* interest charge might approach 20 percent. *It should be understood that the formulation of an ethical question does not imply that the questionable practice will necessarily be deemed unethical.* For example, the *macro* issue of whether all advertising is inherently unfair, because it normally presents only positive attributes of a product or service, has been raised many times (Rotzell, Haefner, and Sandage 1990). The vast majority of analysis finds the practice of advertising as a social institution to be ethically defensible (Arrington 1982; Phillips 1997). But clearly, the beginning of an ethical reasoning process is the specification of the ethical question(s) to be evaluated.

The third step in ethical analysis involves the *articulation of stakeholders* affected by a particular marketing practice (see BP6). For example, in the instance of the oil services company ad campaign, the stakeholder evaluations might include the following queries: Is diverse employee representation in the proposed ad campaign misleading to *customers* when the actual employee base is quite homogeneous? Is this campaign deceptive to future current and future *shareholders*? Is it disrespectful to existing *employees*? Each stakeholder group is a separate constituency with potentially different effects if the campaign is approved. Alternatively, perhaps the advertising campaign simply captures meaningless "puffing" that mostly depicts a corporation that is honestly desirous of being racially inclusive, at least in the ideal.

The fourth step in the ethical reasoning process involves the *selection of an ethical* standard or standards. Several ethical theories or perspectives (or perhaps just one) will be chosen for application to the pertinent ethical issue. Possible standards include but are not limited to those already discussed. In the case of the short-term loan financial services industry, perhaps the initial evaluation standard selected will be minimalist—a *legal* one (i.e., are any existing laws being violated by the industries lending practices?); or alternatively,

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a *utilitarian* standard might be applied (i.e., are the high rates of interest being charged by these short-term loan providers, embodying a high user cost, offset by the benefit to a segment of consumers who otherwise would not have fast access to credit?); or perhaps a *justice* standard is invoked (i.e., is a vulnerable market segment being exploited for company profit?).

Ethical analysis comes next in our protocol, and it involves applying the ethical standards to whatever questions have been framed (above) both regarding the ethical issue and the foreseeable outcomes on stakeholder groups. The quality of this analysis, as noted previously, is likely to be influenced by the moral thinking of the manager/evaluator and the applicable ethical standard. Also, the specific stakeholder groups considered will have an important bearing on the process (BP6). The likely sophistication of ethical reasoning provided by different types of managers has already been discussed in BP4. For firms seeking to have a strong ethical posture in the marketplace, such organizations likely would desire principled managers conducting their ethical analysis. This advice is consistent with the dictum that corporations always want seasoned executives with insightful judgments at the heads of their units. In other words, because good ethics should be important to an organization, managers who are capable of sophisticated ethical reasoning ought to be making the judgments about relevant ethical issues. The engagement of principled managers will minimize the possibility of the organization making a costly ethical miscalculation because (1) they will recognize the ethical complexity of certain decisions, and (2) their presence in the company will contribute to a more ethical culture.

In general, we postulate that the greater the number of ethical standards applied to a given situation, the higher the probability of discovering an ethical concern. Furthermore, the more stakeholder groups evaluated, the higher the likelihood of perceiving possible negative outcomes that require further investigation (see again BP6). It is again imperative to recognize that just because ethical concerns are voiced and/or potential negative outcomes from marketing practices are uncovered, the proposed strategy will not necessarily be judged to be unethical. Minor negative outcomes for some stakeholders, as well as unintended ones, regularly should be expected whenever marketing organizations make complex marketing decisions (recall BP3). For instance, consider the hypothetical case of an automobile company deliberating whether it has the ethical responsibility to install side airbags on every vehicle in its product line. A *utilitarian* analysis, for example, might indicate that the inclusion of side impact airbags will save a few additional lives, especially if the company's autos are involved in collisions with large SUVs. But the decision to voluntarily install side airbags in *all* company models would also substantially increase consumer costs, thereby disadvantaging many price-sensitive consumers and perhaps causing them to switch to competitors whose current vehicles (also without side airbags) might afford them an even greater risk of injury.

In the end, despite the many factors and complications in conducting ethical analysis, a *decision* needs to be made about the situation. This is the next to last step of the ethical reasoning process. The generic alternatives available are typically the following: the particular marketing practice is (1) acceptable and allowed to go forward, (2) the challenged strategy is amended in some fashion to make it ethical, or (3) the practice is abandoned. For instance, in the case of the earlier mentioned oil services firm, assuming that good-faith efforts are underway that aggressively seek to hire a more diverse workforce, then the depiction of the multiracial work group in the ad campaign *might* fall into the realm of "puffing" and be ethically acceptable because the ads depict what the company soon hopes to become. In the situation of the fast-loan financial services sector, policy makers may decide that the prevailing, compounded interest rates constitute an exploitation of consumers that is usurious, and therefore new industry regulations are required. To use the language of BP1, the "iron law of social responsibility" will be exercised, and the quick-loan vendors will now be further legally constrained.

As a final step in the ethical reasoning process, marketing managers have the responsibility to *monitor the outcomes of their ethical decisions*. By overseeing what has transpired in the marketplace resulting from an ethics-related policy, changes then can be made that shape future decision-making protocols. For example, an outcome that results in major unanticipated negative consumer experiences (e.g., a growing percentage of consumers perish from side impact auto accidents when driving without side airbags) would necessitate future explorations of similar ethical questions. This follow-up might involve adjustments such as a greater weighting of an affected stakeholder group, a change in the type of ethical standards applied to the situation, or possibly a deepened ethical analysis. Exactly how this entire calculus of adjusting the decision-making protocol fits together is the realm of *moral imagination* (see discussion in BP4).

ETHICAL LESSONS FROM THE BASIC PERSPECTIVE SET

When addressed in isolation, the descriptions of the BPs discussed above raise many challenging questions. For example, with regard to BP1, if marketing should strive to serve society, how does one possibly establish society's best interests? With regard to BP2, if ethical marketing requires *more than* conformance to the law, from where does this supplemental guidance derive? Concerning BP4**,** what values are likely to characterize highly principled marketing managers? From where do they originate? If stakeholder orientation of BP6 is to have pragmatic meaning, how should the necessary balancing among stakeholder groups be conducted? Within BP7, if an ethical reasoning process is essential to

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"good" marketing, how does an organization find and motivate managers who can adhere to this rigorous process of ethical discernment? And so on.

Our point is that many of these questions can be answered by considering the BPs as an integrative whole. Philosophers sometimes refer to this process as *moral reflection*. Illustrative of the insights such an exercise might produce are the following observations:

- The "best interests of society" so essential to BP1 can be more systematically taken into account by adopting the stakeholder orientation described in BP6.
- The fabric of higher ethical duties called for in BP2 can be addressed, we hope, by embracing the AMA Norms and Values as well as the duty-based moral precepts advocated in BP5.
- The ethical reasoning process described in BP7 can be better implemented by seeking to hire and develop the morally principled managers described in BP4.
- The balanced evaluation of stakeholder rights recommended in BP6 can be more pragmatically understood by embracing the tripartite ethics evaluation procedure discussed in BP3.
- The principled marketing managers, described in BP4 as being ideal to the organization, are nurtured in their development when companies accept the stakeholder orientation of BP6 and adhere to an ethical protocol similar to that outlined in BP7.
- The benefits accruing to an organization from moral manager "exemplars," implied by BP4, are more fully understood with reference to the ethical precepts, described in BP5, that such marketing managers might apply.
- The taking into account of the conflicting stakeholder claims discussed as central to the BP7 evaluative process is simplified by the demarcation of the stakeholder concept addressed in BP6 and the method for breaking down difficult ethical issues discussed in BP3.

The above observations are intended not as a complete listing of the relationship among the essential BPs but rather to illustrate their integrative and symbiotic effects for understanding and improving marketing ethics. The challenge for concerned marketing managers is to work through the network of possible connections among the BPs in the context of the peculiarities and industry-specific issues confronting their own operating environments.

IMPLICATIONS OF THE BPS APPROACH TO MARKETING ETHICS

The normative perspectives (BPs) for evaluating and enhancing ethical marketing practices, whether accepted in whole or in part, hold numerous implications for business educators, marketing managers, as well as policy analysts and researchers.

For Marketing Educators

To develop the strands of inquiry discussed above, educators must increasingly address the societal dimensions of business practice (BP1 et al.). Jeffery Garten, former dean of the Yale School of Management, has been an articulate spokesperson for this viewpoint. Garten (2002) contended that while the current system of business education effectively addresses best practices for operations at the firm level, it does not sufficiently cover what society requires of business leaders including questions of environmental protection, globalization, and public policy.

Students should be made increasingly aware of the dimensions and provisions of various professional codes of business conduct. The role of relativism and the attitude that all marketing practices are flexible depending on circumstance and personal opinion—views often expressed by business students—seem overstated given the articulated norms and values of marketing professionals, as well as specific codes developed through a consensus of peer practitioners. Trade associations (e.g., Direct Marketing Association), industries (e.g., National Association of Broadcasters), and individual companies (e.g., Caterpillar Corporation) all have detailed documents declaring specific practices to be unethical *regardless* of their legality. Students need to know how such codes relate to marketing practice, and therefore, such codes should be addressed in business-school course work.

Business faculty should be wary of celebrating the "hardball" or "Wild West" subculture of marketing strategy sometimes popularized in the classroom and the executive training circuit. Despite the sustained appeal of such sometimes too clever metaphors (e.g., competitive strategy as practiced by Attila the Hun; winning marketing warfare; how to shock and awe the competition), the purpose of marketing is *not* to annihilate the competitor but to serve the customer and, in so doing, to benefit society (i.e., BP1). Arnett and Hunt (2002), for example, have insightfully uncovered the downside of being overly focused on crushing the competition.

The discussion of ethics must be better integrated into functional marketing classes by marketing faculty. Some anthologies of short readings and cases have been assembled for the express purpose of being used as "ethics" supplements in mainstream marketing elective classes (e.g., Murphy and Laczniak 2006). However, if ethics is addressed only in Business & Society, Marketing Ethics, and Marketing and Social Issues classes, or worse, relegated to a one-session treatment during MBA "boot camp" when students matriculate to business studies, is it surprising that ethics is accorded minimal consideration in marketing decision making?

Marketing educators must be more willing to address and encourage future managers to undertake inspirational, positive ethical duties (see BP5) rather than only negative ethical precepts—"don'ts" that basically mirror the requirements of law (BP2).

Marketing educators, even if relatively untrained in ethical theory, have much to teach their students about how to shape an ethical marketing environment. For example, consistent with BP4, the egoist inclinations of many managers can be

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tempered by reducing opportunities to engage in unethical behavior or by increasing the risk of so doing (Ferrell and Gresham 1985). Teaching future managers to improve ethical culture often involves issues of organizational design, policy, and procedure rather than "preaching" ethics.

For Marketing Practitioners

Marketing managers should perceive their job function as part of a larger vocation that positions marketing managers as practicing *professionals* and therefore, possessing duties to society (BP1) as well as their company. Novak (1996) has insightfully developed the idea of business executives as following "a calling" because managers serve to steward enormous economic resources, although privately owned, for the betterment of society. Much earlier, Peter Drucker (1974) conceived of executives as follows: "As a member of a leadership group a manager stands under the demands of professional ethics—the demands of an ethic of responsibility" (p. 368). Marketing managers would do well to follow this line of thinking in conceiving of their own ethical obligations.

Marketing firms should consider administering an "ethics test" to prospective managers that they are recruiting. It should be understood that any such instrument would be highly imperfect in its validity and should act as one of a number of factors in the hiring process. But the exercise would send an undeniable message about the importance of good ethical judgment in the culture of that marketing organization (BP4).

Marketers should tailor the ethical guidelines expressed in their company Policy and Procedures documents to the particular ethical problems that are endemic to the services offered and their business sector. Written ethics guidelines can never cover every contingency that managers might encounter; therefore, at least the most likely ethical questions to emerge always should be explicitly addressed. For example, telecom and broadband operators should address their pricing practices as these are often at question in such industries. Similarly, firms doing business with the government via the bid system should specify the ethics inherent in submitting these proposals.

Organizations should strive to reward marketing managers for their ethical conduct especially when it has been extraordinary or sustained (BP4). While financial outcomes will always remain the primary criterion for success in our competitive system, the predisposition of also favoring managers who "do well while doing good" sends the message that ethics is important and beneficial because it is explicitly part of the firm's reward structure.

For Policy Analysts and Academic Marketing Researchers

Germane to the iron law of social responsibility, referenced in BP1**,** is the question: When and under what circumstances do social criticisms of a particular marketing practice generate sufficient momentum to produce viable regulation of that action? In other words, when and why does a tipping point occur in public opinion that results in the further legal constraint of a marketing practice? Research into this issue may, among other things, uncover environmental warning signs that marketers can use to assess the extent of public negativity to the ethics of one of their marketing practices or policies.

In the ethically aspiring organization, managers must be willing to assume responsibilities that go beyond the requirements of law (BP2). Researchers should help uncover and refine the organizational factors and cultural characteristics that shape a corporate environment and impel the acceptance of these ethical duties. During the recent round of ethical scandals, an especially perplexing finding was the large number of managers who had knowledge of the questionable practices and yet remained silent. What variables account for such unethical complicity? How do whistleblower protections factor into such behaviors? Why do some managers, when pressured to engage in questionable activities, just say "no"?

Academic marketing researchers have made strides delineating how marketers typically deal with ethical problems (e.g., Hunt and Vitell 1986). Such efforts are critical to understanding ethical behavior (Ferrell, Gresham, and Fraedrich 1989) and need to continue. Especially worthy in this regard, and consistent with the intent of all BPs, would be research that compares exemplary marketing organizations with those having a reputation for cutting ethical corners. Such investigations might begin to underscore some of the key elements that nurture ethical and unethical marketing behavior.

Academics with a concern for marketing ethics should work more diligently to refine a set of marketing ethics metrics that can be used to measure the extent to which an organization has embraced ethical artifacts (e.g., codes, training) and reasoning protocols (BP7) as part of their organizational culture. The concept of the *ethical audit*, described in a measurable but qualitative fashion (Murphy et al. 2005), might provide some groundwork for more quantitative, measurement schemes.

Within marketing ethics and the BPs discussed are several inherently "soft" concepts that require further refinement. For example, how does one operationally define a vulnerable market segment or justice in the channels of distribution? Such definitional refinements are difficult and fundamentally judgmental, and yet, must be made. Organizations such as the United Nations and the U.S. Department of Health and Human Services have struggled with challenges like these but have made some progress in defining similarly difficult concepts such as poverty, a living wage, and the nature of basic medical care (Hill and Adrangi 1999). Marketing researchers concerned with social-ethical questions must attempt to do the same.

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As argued in BP6, marketers need to embrace the stakeholder concept in order to better institutionalize ethical decision making. But how are the claims of various stakeholders (recognizing that investors and/or owners always remain a primary claimant) best factored into market choices? Balancing stakeholder interests when there are different competing interests, various probabilities of risk, the weighting of stakes, and a variety of other contingencies to be considered requires extremely complex decision making. Some writers have written off the stakeholder analysis process as essentially undoable (Marcoux 2003). Model builders in marketing who have addressed obtuse questions such as complex information processing and buyer switching behavior could surely contribute some analytic formulations that might shed light on this challenging issue of balancing stakeholder interests.

The heroic assumption of BP7 is that the existence of a process for ethical decision making will improve behavior. Does the application of a case method style of analysis to ethical problems produce better business decisions? We believe so. But researchers need to investigate the statistical relationship between the existence of ethical artifacts (e.g., codes, training, procedures, whistle-blower protections) and actual outcomes that might be characterized as ethical. That is, are corporations that integrate basic approaches for better marketing ethics into their organizational fabric really more ethical (as measured by surrogate variables such as company reputation, employees involved in voluntarism, [fewer] legal violations per employee, [higher] charitable giving adjusted for revenue, and other such measures) than companies that do not?

CONCLUSION

This article presents a comprehensive, normative examination of the ethical marketing practice. Our approach is firmly grounded in the centrality of exchange to marketing and the inherent role of societal outcomes attributable to the marketing system. Seven BPs are advanced, and each builds on the preceding ones. Furthermore, the sophistication of ethical analysis that is required by the marketing manager escalates as one internalizes these perspectives *because they are integrative*. Rather than recounting the many nuances of the basic perspectives for ethical marketing that were provided, marketing managers interested in elevating the ethical behavior of their organizations are asked to keep the following in mind because of its profound social consequences.

Trust is the foundation for the efficiency and effectiveness of the market system, and it is nurtured with high ethical standards. The law alone is not enough to ensure a sufficient quantity of honesty such that the marketplace operates smoothly and fairly. What seems to be also necessary are the habitual ethical actions of marketing managers striving to keep their promises to customers by creating fair and transparent exchange within the economic system. The BPs discussed above provide a possible roadmap toward that ideal. If the overall market system has ethical integrity, exchange becomes simpler to carry out. For example, marketing research becomes easier to gather, brand equity is more efficiently built, and fewer transactions are voided. Failing sufficient trust and integrity in the marketing system, costly additional regulation will be enacted, and the reputation of even the most ethical managers will need to overcome the deadly stereotype of commercial hucksterism that pervades the public's perception of marketers and marketing discipline.

APPENDIX A
Normative Theory and the Essential Perspectives (BPs) Approach to Marketing Ethics

John Bishop (2000), a Canadian moral philosopher, writing in *Business Ethics Quarterly*, defined normative ethical theory as follows: "A normative theory of business ethics is normative in so far as it purports to say what is ethical, not what members of some group think is ethical. . . . Every normative theory of business ethics needs to address . . . seven issues" (p. 564). The seven elements Bishop specifies are (1) the recommended values and (2) the grounds for accepting those values. Also included should be (3) decision principles that business people who accept the theory can use, (4) who the theory applies to (i.e., what actor/agents), (5) whose interests need to be considered, (6) in what contexts it needs to be applied, and (7) what legal regulatory structures it assumes.

Below we specify how our essential perspectives on marketing ethics—which consists of seven basic propositions, as well as commentaries and corollaries—constitute a normative theory of marketing ethics.

1. *The recommended values:* these are composed of the seven basic perspectives (BPs) articulated in the article.
2. *Grounds for acceptance of the theory:* these consist of the commentaries accompanying each BP.
3. *Decision principles for users:* various guidelines are provided including the proportionality framework of BP3**,** the core normative principles discussed in BP5**,** an endorsement of the American Marketing Association (AMA) Norms and Values statement, as well as the moral minimums discussed throughout the article.
4. *Agents to whom the theory applies:* marketing managers and business policy analysts.
5. Interests that need to be considered: stakeholders (see BP2 and BP6).
6. *Context of application:* exchange transactions that are part of the marketing system (see BP1).
7. *Legal-political structure assumed:* the contemporary capitalistic system, with its respect for private property and the existing system of marketing regulation.

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APPENDIX B
American Marketing Association Code of Ethics

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.

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.

*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.

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 ongoing 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 coworkers, 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.

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.

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Implementation

Finally, we recognize that every industry sector and marketing subdiscipline (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 American Marketing Association Web site. 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.

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