

Marketing Ethics

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Marketing ethics addresses principles and standards that define acceptable conduct in the marketplace. Marketing usually occurs in the context of an organization, and unethical activities usually develop from the pressure to meet performance objectives. Some obvious ethical issues in marketing involve clear-cut attempts to deceive or take advantage of a situation. For example, two former senior executives with Ogilvy & Mather Advertising were sentenced to more than a year in prison for conspiring to overbill the government for an ad campaign warning children about the dangers of drugs. The executives were also required to perform 400 hours of community service, pay a fine, and draft a proposed code of ethics for the advertising industry.¹ The requirement to draft a code of ethics implies that the court viewed the executives' wrongdoing as a lapse of ethical leadership in the advertising industry. Obviously, misrepresenting billing on accounts is a serious ethical issue which can evolve into misconduct with severe repercussions. The overbilling in this case was to benefit the advertising agency's bottom line.

The Ethics Resource Center (www.erc.org) reported in its most recent National Business Ethics Survey that "one in two employees witnessed at least one specific type of misconduct."² At least 52 percent of employees observed at least one type of misconduct in the past year, while the percentage of employees willing to report the misconduct dropped by 10 percentage points between 2003 and 2005.³ This may explain the increase in corporate whistle-blowing reports to the Securities and Exchange Commission. Even with a regulatory requirement that public companies have an anonymous and confidential means of reporting misconduct under Sarbanes Oxley and the Federal Sentencing Guidelines for Organizations, companies are likely to learn about the ethical misconduct in marketing at the same time as the public. This overview of marketing ethics is designed to help you understand and navigate organizational ethical decisions. ◀



Why Marketing Ethics Is Important

There are many reasons to understand and develop the most effective approaches to manage marketing ethics. All organizations face significant threats from ethical misconduct and illegal behavior from employees and managers on a daily basis. Well-meaning marketers often devise schemes that appear legal but are so ethically flawed that they result in scandals and legal entanglements. For example, in one case, a salesperson pretended to be in shipping rather than sales to hopefully develop customer trust. The Colorado Consumer Protection Act was found to be violated in this case. There is a need to identify potential risks and uncover the existence of activities or events that relate to misconduct. Overbilling clients, deceptive sales methods, fraud, antitrust, and price fixing are all marketing ethics risks. There must be a plan and infrastructure to determine what is happening and to deal with it as soon as possible rather than covering up, ignoring, and assuming that no one will ever learn of the ethical and legal lapses. There is a need to discover, disclose, expose, and resolve issues as they occur. All firms have marketing misconduct, and discovering and dealing with these events is the only effective way to be successful in today's complex regulatory system. Ethical issues are usually resolved through the legal system. But the negative publicity associated with an event hurts the reputation of a company more than the legal penalties. Ethical issues are resolved through plaintiff-friendly civil litigation that can destroy reputations and draw intense scrutiny to a company.

Although accounting fraud has been in the spotlight lately, many unethical activities relate to marketing activities. These unethical acts often begin as a marketing effort that only in retrospect is revealed to be unethical. And clearly, not each and every one becomes a crisis. When Blockbuster introduced its "The End of Late Fees" policy and promotion, a lawsuit brought by the New Jersey Attorney General's office over possible deceptive pricing did not seem to dampen Blockbuster's reputation and stakeholder confidence. The attorney general's office was concerned that some consumers did not understand that they would have to pay the cost of the videocassette or DVD if they failed to return it to Blockbuster within a stated period of time.⁴

Coca-Cola, following the allegations of product contamination in Belgium, was forced to lay off a number of high-level executives as a result of the troubles, and the CEO resigned. The troubles for the soft-drink giant did not end there.⁵ The company was also accused of racial discrimination in a lawsuit brought against the company by 2,000 current and former African-American employees. The company settled the suit by paying \$193 million. To add insult to injury, the company came under additional scrutiny with accusations that Dasani "bottled water" was nothing more than tap water. Then it emerged that what the company described as its "highly sophisticated purification process," based on NASA spacecraft technology, was in fact reverse osmosis used in many modest water purification units.⁶

In 2002, Coca-Cola once again ran into troubles when Matthew Whitley, a mid-level accounting executive, filed a whistle-blowing suit against the company alleging retaliation for revealing fraud in a market study performed on behalf of Burger King. When Coca-Cola's fountain drink business with Burger King did not meet sales expectations, it was suggested that Burger King launch Frozen Coke as a kid's snack. Coke arranged to test market the product, and a follow-up investigation determined that Coca-Cola exaggerated the test data to deceive Burger King.⁷ Subsequently, a number of top-level executives were fired; Coke paid \$21 million to Burger King to settle its disputes with the fast-food giant, \$540,000 was paid to the whistle-blower, and a \$9 million pre-tax write off had to be taken. Although Coca-Cola disputes or denies

the allegations made both in 1999 and 2002, the net result means that shares of Coca-Cola trade in 2006 at the same level they did nearly 10 years ago. To overcome its many ethical and marketing mistakes, Coca-Cola launched over 1,000 new products in 2005 to deal with falling sales, as PepsiCo's sales growth has exceeded Coke's over the past five years.⁸

Businesses that effectively manage ethics can systemically absorb, react, and appropriately adjust to most breakdowns in conduct or decisions. In the case of Coca-Cola, the recovery from its many ethical mistakes will take a long time. In Blockbuster's case, the company modified its promotion from the "End of Late Fees" to "Life after Late Fees" to clarify its return policies for consumers.⁹ People make poor choices all the time. The key is whether the organization has adequately planned to mitigate the potential results of poor choices through leadership, effective ethics programs, prompt response, disciplinary actions, appropriate disclosure, communication to the workforce, and public crisis management communication so that they do not escalate into catastrophes.

Understanding Ethical Decision Making¹⁰

You may think that ethical decisions are an individual matter and that you are only responsible for your own actions. Values-driven ethical leadership and compliance-driven ethics training, monitoring, and reporting systems are necessary for an ethical corporate culture. As a manager, you will be responsible for your ethical decisions as well as those you supervise. According to David Gabler, president of a business ethics consulting firm, "It is not enough to merely ask whether controls are in place or if everyone has attended a class or signed a code. The organization has to understand what the drivers of behavior are, and how those align with integrity goals."¹¹ Thus, it is vital to understand *how* people make business ethics decisions in an organization. Figure 1 illustrates a model of ethical decision making in an organizational environment. Although it is impossible to describe precisely how or why an individual or a work group may reach a particular decision, we can generalize about typical behavior patterns within organizations. It is important to understand that this framework does not explain how *to make a decision*, but rather describes how *decisions are made*. In other words, this framework facilitates understanding the factors that influence decision making within an organizational culture. For a marketing manager to make a specific ethical decision requires a knowledge of the subject matter, an assessment of risk, and the experience to understand the consequences of the decision affecting all stakeholders. While personal character and values are important, decisions made in an organizational context involve the ability to navigate directives and pressure from the work group.

Stakeholders

The first step in Figure 1 is recognizing stakeholder interests and concerns. Stakeholders, obviously, are individuals, groups, and even communities that can directly or indirectly affect a firm's activities. Although most corporations have emphasized shareholders as the most important stakeholder group, the failure to consider all significant stakeholders can lead to ethical lapses. Some executives believe that if their companies adopt a market-orientation and focus only on customers and shareholders, everything else will be adequate. Unfortunately, failure to recognize the needs and potential impact of employees, suppliers, regulators, special-interest groups, communities, and the media can lead to unfortunate consequences. Wal-Mart faces many

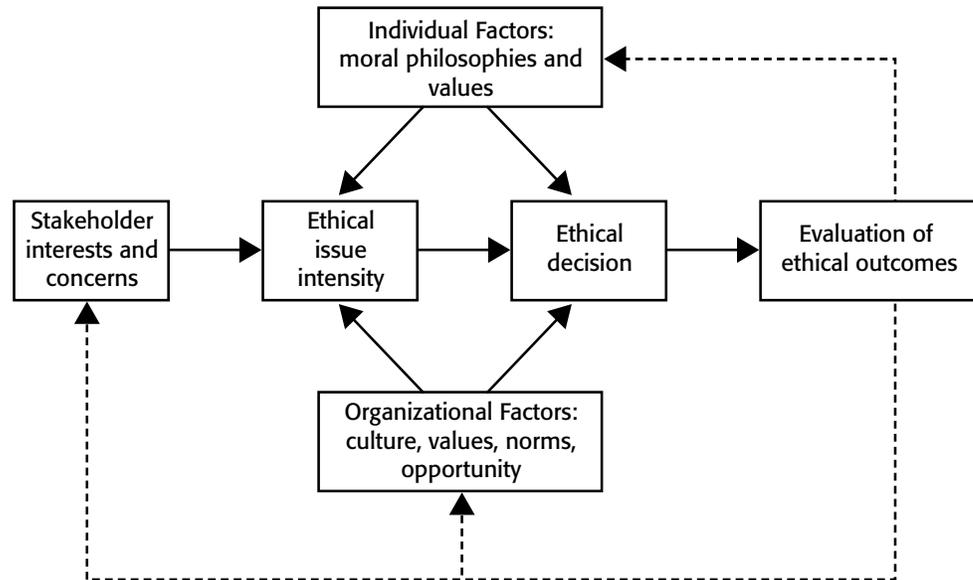


Figure 1.
Framework for Understanding Organizational Ethical Decision Making

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ethical accusations today from stakeholders such as employees, suppliers, and local communities, while consumers appear satisfied with low prices.

Thus, organizations need to identify and prioritize stakeholders and their respective concerns about organizational activities and gather information to respond to significant individuals, groups, and communities. These groups apply their own values and standards to their perception of many diverse issues. They supply resources—e.g., capital, labor, expertise, infrastructure, sales, etc.—that are more or less critical to a firm’s long-term survival, and their ability to withdraw—or threaten to withdraw—these resources gives them power.¹²

One approach is to deal proactively with stakeholders’ concerns and ethical issues and stimulate a sense of bonding with the firm. When a company listens to their concerns and tries to resolve issues, the result is tangible benefits that can translate into customer loyalty, employee commitment, supplier partnerships, and improved corporate reputation. This requires going beyond basic regulatory requirements and making a difference by genuinely listening to stakeholders and addressing their concerns. Such a stakeholder orientation secures continued support and stakeholder identification that promotes the success of the firm.

The purpose of understanding stakeholder concerns and risks is to pinpoint issues that could trigger the ethical decision-making process. If ethical issues are perceived as being related to the importance of stakeholders’ interaction with the firm, a sound framework will exist for assessing the importance or relevance of a perceived issue—the intensity of the issue¹³—and the next step in Figure 1. The intensity of a particular issue is likely to vary over time and among individuals and is influenced by the organization’s culture, the specific characteristics of the situation, and any personal pressures weighing on the decision. Different people perceive issues with varying intensity due to their own personal moral development and philosophies and because of the influence of organizational culture and coworkers.¹⁴

◎ Individual Perspectives

Understanding individuals' moral philosophies and reasoning processes is one approach that is often cited for recognizing and resolving ethical issues. However, the role of individuals and their values is one of the most difficult challenges in understanding organizational ethical decision making. Although most of us would like to place the primary responsibility for decisions on individuals, years of research suggest that organizational factors have greater dominance in determining ethical decisions at work.¹⁵ Nonetheless, individual factors are clearly important in evaluating and resolving ethical issues, and familiarity with theoretical frameworks from the field of moral philosophy is helpful in understanding ethical decision making in business.¹⁶ Two significant factors in business ethics are an individual's personal morality and stage of personal moral development. Through socialization, individuals develop their own ethical principles or rules to decide what is right or wrong, and with knowledge and experience, they advance in their level of moral development. This socialization occurs from family, friends, formal education, religion, and other philosophical frameworks that an individual may embrace.

Although individuals must make ethical choices, they often do so in committees, group meetings, and through discussion with colleagues. Ethical decisions in the workplace are guided by the organization's culture and the influence of coworkers, superiors, and subordinates. A significant element of organizational culture is a firm's ethical climate—its character or conscience. Whereas a firm's overall culture establishes ideals that guide a wide range of behaviors for members of the organization, its ethical climate focuses specifically on issues of right and wrong. Codes of conduct and ethics policies, top management's actions on ethical issues, the values and moral development and philosophies of coworkers, and the opportunity for misconduct all contribute to an organization's ethical climate. In fact, the ethical climate actually determines whether certain dilemmas are perceived as having a level of ethical intensity that requires a decision.

◎ Organizational Culture

Together, organizational culture and the influence of coworkers may create conditions that limit or permit misconduct. Organizational culture relates to how things are done both formally and informally on a daily basis. If these conditions act to provide rewards for unethical conduct—such as financial gain, recognition, promotion, or simply the good feeling from a job well done—the opportunity for further unethical conduct may exist. For example, a company policy that does not provide for punishment of employees who violate a rule (e.g., not to accept large gifts from clients) effectively provides an opportunity for that behavior to continue because it allows individuals to break the rule without fear of consequences. Thus, organizational policies, processes, and other factors may contribute to the opportunity to act unethically.

◎ Opportunity

Opportunities to engage in misconduct often relate to employees' immediate job context—where they work, with whom they work, and the nature of the work. The specific work situation includes the motivational “carrots and sticks” that managers can use to influence employee behavior. Pay raises, bonuses, and public recognition are carrots, or positive reinforcement, whereas reprimands, pay penalties, demotions, and even firings act as sticks, the negative reinforcement. For example, a salesperson that is

publicly recognized and given a large bonus for making a valuable sale that he obtained through unethical tactics will probably be motivated to use unethical sales tactics in the future, even if such behavior goes against his personal value system. In fact, quite often, top-performing salespersons are disciplined less for unethical practices than their poor-performing counterparts.



Organizational Ethics Doesn't Equal Personal Ethics

According to ethics consultant David Gebler, “most unethical behavior is not done for personal gain—it’s done to meet performance goals.”¹⁷ Unfortunately, failure to understand this basic fact is a major barrier to educating marketing managers as to how to avoid an ethical disaster. Many managers believe that the moral values learned within the family and through religion and education are the major drivers of ethical decision making in business. Indeed, some companies and many business schools focus on personal character or moral philosophy development in their training programs to prevent unethical business decisions. Although a personal moral compass is certainly important, it is not sufficient to prevent ethical misconduct in the complex world of business. The rewards for meeting performance goals and the corporate culture, especially for coworkers and managers, have been found to be the most important drivers of ethical decision making.¹⁸ Although there are many factors that influence the final decisions of individuals—including the workplace, family, religion, legal system, community, and profession—the level of these “spheres of influence” varies depending on how important the decision maker perceives the issue to be.¹⁹

In evaluating the key influences of ethical decision making, it is important to remember that ethical decisions are often made in groups or committees, and group-think combined with peer pressure often becomes more important than the influence of the individual. Usually, a strong leader evolves who assures others that a particular action is legal and acceptable, and if the other individuals do not feel good about the decision, they should remember that it is just a “business decision” that is necessary “to stay competitive.” For example, Betty Vinson, an accountant at WorldCom, objected when her superiors asked her to make improper accounting entries in order to conceal the telecom’s deteriorating financial condition. She gave in only after being told that it was the only way to save the beleaguered company. She, along with several other WorldCom managers, eventually pled guilty to conspiracy and fraud charges related to WorldCom’s bankruptcy after the accounting improprieties came to light. She was sentenced to five months in prison and five months house arrest.²⁰ Marketers have the same risks as accountants to report sales in advance or book sales before they occur to inflate quarterly sales numbers.

This situation is made more dynamic because individuals are culturally diverse, have different values, and have different personal attributes, such as personality, age, and gender, which may influence how they will react in an organizational decision-making situation. In fact, academic studies have shown that in any workplace, at least 10 percent of employees will take advantage of situations if the opportunity exists and the risk of being caught is low. About 40 percent of workers will go along with the work group on most matters; these employees are most concerned about the social implications of their actions and want to fit into the organization. Another 40 percent of a company’s employees will always try to follow company rules and policies, including codes of ethics, ethics training, and other communications about appropriate conduct. The final 10 percent of employees try to maintain formal ethical standards that focus on rights, duties, and rules.²¹ For a corporation like Wal-Mart, with 1.6 million

employees, this suggests that 160,000 employees are likely to engage in misconduct if given the opportunity. Maybe this explains why Wal-Mart is reported in the mass media for so much misconduct.

The Role of an Ethical Corporate Culture

It is important not to merely emphasize legal ramifications of decisions at the expense of developing an ethical corporate culture. Training, educating, and motivating employees to act in ways consistent with both legal requirements and ethical expectations is at the core of planning to prevent and manage misconduct. Companies themselves do much to establish the values, the culture, and the expectations for conduct that employees hold about daily life within the firm. This is achieved explicitly through codes of conduct and statements of values/ethics documented in organizational communication that addresses risks associated with marketing activities. This is also accomplished implicitly through dress codes, anecdotes about company heroes and villains, treatment of customer complaints, treatment of employee complaints, how meetings are conducted, and in which behaviors and accomplishments get rewarded and recognized compared with which behaviors are criticized, ignored, or punished. In fact, ethical leadership and ethical culture of the organization are considerations in assessing misconduct by regulatory agencies. If a company is showing due diligence in trying to prevent wrongdoing, it will be treated more leniently.

Marketing managers cannot motivate employees or coordinate implement marketing strategies without effective communication about values, standards, and expectations. Communication is important in marketing for ethical standards and activities across the functional areas of the business. No marketing strategy can be implemented without complete understanding of its objectives and employee cooperation to make it work. While most marketing managers and employees don't have "ethics" in their job title, everyone is ultimately accountable.

Ethical Leadership in Marketing

To move from just being an ethical person in everyday life experiences to being an ethical leader in implementing marketing activities requires synchronizing the development of both character and competence. Leaders must be competent in understanding organizational ethics and the requirements to implement programs. Leadership requires an understanding of the firm's vision and values, as well as the challenges of responsibility and risk in achieving organizational objectives. The West Point model would suggest that character and competence must be developed simultaneously. Character alone will result in failure, and competence without character will result in misconduct and eventually failure. Lapses in ethical leadership do occur even in people who possess strong ethical character, especially if they view the organization's ethical culture as being outside of the realm of decision making that exists in the home, family, and community. This phenomenon has been observed in countless cases of so-called good community citizens engaging in ethical misconduct that sometimes leads to corporate ethical disasters. An ethical individual can be a cautious and conforming participant in a corporate culture that tolerates unethical conduct.

In the long run, if a company's leader fails to satisfy stakeholders, he or she will not retain a leadership position. In today's earnings-driven world, even marketing managers often think only of the bottom line and quarterly expectations. The 2005 Ethics Resource Center National Business Ethics Survey (NBES) found that 81 percent

of employees trust the promises of top management. This means that almost 20 percent of all employees are skeptical. In addition, the study found that 42 percent of companies have a weak ethical culture. You could end up working in an organization where unethical conduct and complacency is expected.

Ethical leaders are competent managers who take a holistic view of the firm's ethical culture. Ethical leaders can see a holistic view of their organization and therefore view ethics as a strategic component of decision making, much like marketing, information systems, production, and so on. You don't want key employee or issue information trapped in a "silo" structure not coordinating information between human resource management, legal, auditing, and ethics. Marketing is a functional part of an organization, and ethical decision making must be coordinated with the other functional areas. Without the ability to coordinate across functional areas, key oversight and understanding will be lost.

The goal is to recognize that while you cannot remove the risk of ethical misconduct, great leaders are prepared. As Jeff Immelt, CEO of General Electric, stated in his 2002 letter to his shareholders, "One concern that keeps me up at night is that among the 300,000-plus GE employees worldwide, *there are a handful who choose to ignore our code of ethics*. I would be naïve to assume a few bad apples don't exist in our midst." Perhaps this is why when GE received a letter of inquiry concerning misconduct in 2005 from the SEC, the communication had little impact on the overall stock value of the company.

In addition, employees need guidance on where to go for assistance from managers or other designated personnel in resolving ethical problems. To communicate ethical values and implement an effective ethics program, there must be interaction including monitoring, reporting, and answering concerns and questions about issues and events.

Reputation Is a Marketing Asset²²

Its reputation is one of an organization's greatest intangible assets. The value of a positive reputation is difficult to quantify, but it is an important intangible asset that all marketers understand. A single negative incident can influence perceptions of a corporation's image and reputation instantly and for years afterward, affecting sales and customer relationships. Thus, protecting a firm's reputation is a critical priority. When United Parcel Service lost a cardboard box containing computer tapes with personal information about 3.9 million Citigroup customers, both companies' reputations were tarnished. This incident involved the names, social security numbers, account numbers, and payment history of all of Citigroup's U.S. customers. This blunder created a major embarrassment for a company that had built its recent reputation around an image of identity-theft protection.²³ Marriott's timeshare unit is investigating the disappearance of backup computer tapes containing information on over 200,000 employees and customers. Marketers have to take responsibility in protecting customer, as well as employee, private information or they risk reputation crisis.²⁴

Reputation is not a trait or state in the possession of a company, but rather it exists in the collective minds of the various stakeholders. It is tied to perceptions of the corporate image, brand, and (mental) associations in the minds of key stakeholders. Although reputation is certainly an asset, it is one that lies in the perceptions of those to whom the organization is accountable and depends upon in order to be successful and effective. Such stakeholders include employees, customers, vendors, suppliers, neighbors, investors, regulators, and labor unions. The news media, to the extent that it views itself as a public "watchdog" of the greater society, is both a con-

stituent to whom organizations are accountable as well as an adversary. The “watchdog” role suggests that the media will have its own agenda and “message” to pursue that may not inherently align with the agenda and message that is in the best interest of your company if trying to create and sustain a positive reputation for your company. Nonetheless, the news media plays a major role in shaping the perceptions of key stakeholders.

There are other factors that influence the perceptions of corporate reputation. These perceptions are formed and influenced based on an individual’s experiences with a company or members of its workforce, subjective judgments of corporate actions (or inactions), assessments of responsibility and culpability for negatively perceived events, scrutiny of communication messages received, along with the influence of media scrutiny of an organization’s performance and ethics.

Positive reputations develop slowly and incrementally. It takes a series of rich positive experiences and symbolic actions to carefully craft a positive reputation. One such example is Hershey Foods. Milton Hershey established a corporate culture based on integrity and values that endures more than 100 years later. On the other hand, damage to a positive reputation can occur very quickly, and in some cases, the positive image cannot be immediately or fully restored. We have seen this happen with Enron and Worldcom, and to a lesser extent Coca-Cola and Wal-Mart.

There are many potential threats to reputation. Reputation can be damaged by poor sales performance or ethical misconduct. Poor sales performance is easier to recover from than ethical misconduct. Obviously, stakeholders who are most directly affected by negative events will have a corresponding shift in their perceptions of a firm’s reputation. On the other hand, even those indirectly connected to negative events can shift their reputation attributions. In many cases, those indirectly connected to the negative events may be more influenced by the news media or general public opinion than are those who are directly connected to your organization.

A scandal can reduce shareholder value and lower stock price as investor perceptions and decisions begin to take their toll. Reputation is also a factor in the consumers’ perceptions of product attributes and corporate image features that lead to consumer willingness to purchase goods and services at profitable prices. Some scandals may lead to boycotts and aggressive campaigns to dampen sales and earnings. Nike experienced such a backlash from its use of offshore subcontractors to manufacture its shoes and clothing. When Nike claimed no responsibility for the subcontractors’ poor working conditions and extremely low wages, some consumers demanded greater accountability and responsibility by engaging in boycotts, letter-writing campaigns, public-service announcements, etc. Nike ultimately responded to the growing negative publicity by changing its practices.

Reputation is also inherently intertwined with brand values. This value is tied to general perceptions of the brand manufacturer’s character and reputation. Coca Cola, Harley-Davidson, and Microsoft, for example, are valuable global brands worth billions of dollars but have all found their ethics called into question. On April 14, 2004, Harley-Davidson shares closed at an all-time high of \$59.50, only to have them plunge to a 14-month low a year later. By July 2005, the motorcycle maker had received a letter of inquiry from the SEC based upon allegations of “channel stuffing,” something that has become a common allegation against many brand leaders. Channel stuffing is the practice of shipping inventory to resellers at an excessive rate, usually before the end of a quarter. It is common for accountants to work with marketers to achieve this deception.

A positive reputation is one of the most important attributes of any company. Brands such as Coca-Cola, Ford’s Explorer, and Merck’s Vioxx, and hundreds of others have all been damaged by negative publicity associated with questionable conduct.

The conduct, when called into question, may indirectly affect a company's overall net worth, if brand assets are included in stakeholder judgments, and perceptions, as we have seen with many of the pharmaceutical product companies.

As mentioned earlier, Wal-Mart, the largest corporation in the world with its 1.6 million employees and sales approaching \$300 billion, is feeling the pressure. The company has been involved in numerous conflicts involving gender-discrimination litigation, wage and pay disputes, union-busting allegations, as well as the resignation of a top officer over financial improprieties. The company made a multi-million-dollar settlement with immigration authorities over the employment of illegal workers, but it continues to face dozens of lawsuits attempting to delay construction of super-centers because of community concerns about the firm's impact on the environment, small businesses, and quality of life.²⁵ When all the ethical issues are combined, they add up to a small-sized corporate ethical disaster. Wal-Mart has focused primarily on investors and customers with its ultra-low prices, and rarely on the interests of other stakeholders such as employees, suppliers, communities, and society. The claims range from firing whistle-blowers to discriminating against women (and most recently African American truck drivers) to violating child labor laws, locking workers into stores overnight, mooching off the taxpayers, disregarding local zoning laws, mistreating immigrant janitors, abusing young Bangladeshi women, paying poverty-level wages in the United States, and destroying small-town America. No company is immune—no matter how large—to the damage caused to one's reputation as a result of ethical misconduct, as Wal-Mart now acknowledges the impact the stakeholders' efforts have had on the company. Wal-Mart CEO Lee Scott recently called the backlash "one of the most organized, most sophisticated, most expensive corporate campaigns ever launched against a single company."²⁶

Conclusions

One lesson that every marketing student should understand is that most companies will engage in some form of misconduct. As Warren Buffet has stated, "we just hope it's small and that we find it quickly." Because marketers engage in behaviors impacting many varied stakeholders, their potential to do harm and opportunity to have a very positive impact is great. We have recapped some of the areas marketers may have had some difficulties managing: deceptive selling, advertising, product claims, etc. However, we need to reflect upon the areas where marketers can do great good. In identifying needs in the marketplace, marketing managers have the opportunity to address ways to improve our daily lives. Investments in new drugs, cars with improved safety and fuel efficiency, smaller and more efficient technologies all have the potential to improve our quality of life. Companies such as Avon and Yoplait recognize the need to support social causes of interest to their customers and provide financial support for breast cancer research. Home Depot supports Habitat for Humanity and was one of the first companies, along with Wal-Mart, to enter New Orleans with supplies after Hurricane Katrina. Through developing products, pricing them competitively, making us aware of them, and making them readily available, marketers have a significant impact on our lives.

Most marketers have concern for stakeholders and want to build long-term relationships with customers. Most organizations recognize and manage the ethical risks associated with marketing and all other business activities. According to the Open Compliance Ethics Group, firms with a strong ethics program for at least 10 years have had no major reputation damage related to ethics over the last 5 years.²⁷

ISSUES FOR DISCUSSION AND REVIEW

1. Why is marketing an area that deals with many ethical issues?
2. How can companies prepare their marketing employees (sales, advertising, research) to deal with marketing ethics issues?
3. What is the most important organizational factor influencing organizational decision making?
4. What is the difference between personal ethics (learned at home, family, friends) and organizational ethics?
5. Why are companies today so concerned about ethical misconduct within the organization?
6. What is the importance of maintaining a positive reputation as it relates to branding and other marketing elements?
7. How can companies improve their image in the marketplace through ethical behavior?

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