

## Chapter 3 Ethics and Social Responsibility

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## LEARNING OUTCOMES

- 3-1 Explain the determinants of a civil society
- 3-2 Explain the concept of ethical behavior
- 3-3 Describe ethical behavior in business
- 3-4 Discuss corporate social responsibility

## LEARNING OUTCOMES

- 3-5 Describe the arguments for and against society responsibility
- 3-6 Explain cause-related marketing

3-1

Determinants of  
a Civil Society

**Explain the determinants  
of a civil society**

## The Modes of Social Control

The following factors maintain order and keep people and organizations from running amuck:

- Ethics
- Laws
- Formal and informal groups
- Self-regulation
- The media
- An active civil society

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## The Concept of Ethical Behavior

**Explain the concept  
of ethical behavior**

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## Ethical Behavior

The moral principles or values that generally govern the conduct of an individual or a group.

Example:

- There is no law for “cutting in line.”
- Cutting in line would anger most other people.

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## Ethical Theories

People usually base their individual choice of ethical theory on their life experiences.

- Deontology
- Utilitarianism
- Casuist
- Moral Relativists
- Virtue ethics

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## Ethical Behavior in Business

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**Describe ethical behavior in business**

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## Ethical Behavior in Business

<b>Ethics</b>	The moral principles or values that generally govern the conduct of an individual.
<b>Morals</b>	The rules people develop as a result of cultural values and norms.

Morals involve “good” and “bad” as well as “deviant” behaviors

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## Ethical Development Levels

**More Childlike**

**More Mature**

Preconventional Morality

Conventional Morality

Postconventional Morality

- Based on what will be punished or rewarded
- Self-centered, calculating, selfish
- Moves toward the expectations of society
- Concerned over legality and the opinion of others
- Concern about how they judge themselves
- Concern if it is right in the long run

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## Ethical Decision Making

Influential Factors

Extent of Problems	Probability of Harm
Top Management Actions	Time Until Consequences
Potential Consequences	Number Affected
Social Consensus	

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## Creating Ethical Guidelines

### A Code of Ethics:

- Helps identify acceptable business practices
- Helps control behavior internally
- Avoids confusion in decision making
- Facilitates discussion about right and wrong

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## Ethics in Other Countries

### Foreign Corrupt Practices Act (FCPA)

- Prohibits U.S. corporations from making illegal payments to foreign officials.
- Has been criticized for putting U.S. businesses at a disadvantage.
- Has encouraged some countries to implement their own anti-bribery laws.

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## Corporate Social Responsibility

**Discuss corporate social responsibility**

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## Corporate Social Responsibility

Corporate social responsibility is a business's concern for society's welfare.

Stakeholder theory says that social responsibility is paying attention to the interest of every affected stakeholder in every aspect of a firm's operation.

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### Arguments For and Against Corporate Social Responsibility

**Describe the arguments for and against social responsibility**

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### Corporate Social Responsibility

For	Against
<ul style="list-style-type: none"><li>• It is the right thing to do</li><li>• Businesses have the resources to devote to fixing social problems</li><li>• Prevents government regulation and potential fines</li><li>• It can be profitable</li></ul>	<ul style="list-style-type: none"><li>• Takes focus away from making profits</li><li>• Business executives spend shareholder money on environmental initiatives</li></ul>

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### Sustainability

- Socially responsible companies will outperform their peers.
- It is in business's best interest to find ways to attack society's ills.

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### Green Marketing

The development and marketing of products designed to minimize negative effects on the environment or improve the environment.

- Environmentally aware customers pay more for products
- Companies must try to educate customers of environmental benefits

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## Cause-Related Marketing

**Explain cause-related  
marketing**

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## Cause-Related Marketing

For-profit and non-profit organizations cooperate to generate funds.

- Generates about \$7 billion annually
- Too many causes lead to customer cause fatigue

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## Chapter 3 Video

### Zappos

Zappos, the world's largest online shoe retailer, discusses its commitment to social responsibility and to ethical behavior. Developing employee activities and long-term relationships with charitable organizations allows Zappos to ingrain the importance of helping the greater good into its organizational culture. Zappos culture also guides its employees to make ethical decisions.

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