MKTG
Principles Of Marketing
Twelfth Edition

LAMB • HAIR • McDANIEL

**MKTG**¹²
PRINCIPLES OF MARKETING

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

3-5 Describe the arguments for and against society responsibility

3-6 Explain cause-related marketing

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Learning Objective 1: Determinants of a Civil Society

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Determinants of a Civil Society

- Social control
  - Any means used to maintain behavioral norms and regulate conflict
  - Behavioral norms: Standards of proper or acceptable behavior

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Modes of Social Control (1 of 2)

- **Ethics:** These are the moral principles or values that generally govern the conduct of an individual or a group.
- **Laws:** Often, ethical rules and guidelines are codified into law. Laws created by governments are then enforced by governmental authority.
- **Formal and informal groups:** Businesses, professional organizations, and clubs all have codes of conduct. Codes prescribe acceptable and desired behaviors of their members.

Modes of Social Control (2 of 2)

- **Self-regulation:** It involves the voluntary acceptance of standards established by nongovernmental entities.
- **The Media**: In an open, democratic society, the media play a key role in informing the public about the actions of individuals and organizations—both good and bad.
- **Active civil society:** An informed and engaged society can help mold individual and corporate behavior.

Learning Objective 2: The Concept of Ethical Behavior

Ethics

- Viewed as the standard of behavior by which conduct is judged
- Consists of personal moral principles
- Consists of unwritten rules that people have developed from their interactions

Ethical Theories (1 of 2)

- **Deontological theory:** States that people should adhere to their obligations and duties when analyzing ethical dilemmas
- **Utilitarian ethical theory:** Founded on the ability to predict the consequences of an action
  - Types:
    - Act utilitarianism
    - Rule utilitarianism
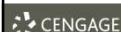
Ethical Theories (2 of 2)

- **Casuist ethical theory:** Compares a current ethical dilemma with examples of similar ethical dilemmas and their outcomes
- **Moral relativism:** Belief in time-and-place ethics; that is, the belief that ethical truths depend on the individuals and groups holding them
- **Virtue ethics:** Character trait valued as being good

Learning Objective 3: Ethical Behavior in Business

Ethical Behavior in Business

- Action taken in business may vary.
  - Depends upon the ethical theory that a businessperson has accepted and uses in his or her daily conduct
- Morals are the rules people develop as a result of cultural values and norms.
  - Considered a foundation of ethical behavior
- Characterized as good or bad
  - Good and bad may have different connotations

Morality and Business Ethics

- Ethical values are situation specific and time oriented.
- One approach to developing a personal set of ethics is to examine the consequences of a particular act.
- A second approach stresses the importance of rules. Rules come in the form of customs, laws, professional standards, and common sense.
- A third approach to personal ethics emphasizes the development of moral character within individuals.

Ethical Development Levels

- Preconventional morality
  - Based on what will be punished or rewarded
  - Self-centered, calculating, and selfish
- Conventional morality
  - Moves toward the expectations of society
  - Concerned about the legality and the opinion of others
- Postconventional morality
  - Represents the morality of the mature adult
  - Concerned if it works in the long run

Ethical Decision Making

- Extent of ethical problems within the organization
- Top management's actions on ethics
- Potential magnitude of the consequences
- Social consensus
- Probability of a harmful outcome
- Length of time between the decision and the onset of consequences
- Number of people to be affected

Ethical Guidelines and Training

- **Code of ethics**: Guideline to help marketing managers and other employees make better decisions
  - Helps employees identify acceptable business practices
  - Helps control behavior internally
  - Avoids confusion in decision making
  - Facilitates discussion among employees about right and wrong
- The most ethical companies
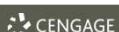
Exhibit 3.1 Selected Winners of the World's Most Ethical Companies (1 of 3)

Company	Industry
Rockwell Collins	Aerospace and Defense
H&M Hennes & Mauritz	Apparel
Levi Strauss & Co.	Apparel
Cummins, Inc.	Automotive
Ford Motor Company	Autos
MasterCard	Payment Services
Dun & Bradstreet	Business Services
Manpower Group	Business Services
Dell Inc.	Computer Hardware
Intel Corporation	Computer Hardware

Exhibit 3.1 Selected Winners of the World's Most Ethical Companies (2 of 3)

Company	Industry
Wipro Limited	Computer Services
Holland American line	Leisure and Recreation
Microsoft	Computer Software
Symantec	Computer Software
Henkel AG& Co.	Consumer Products
Aflac	Insurance
Waste Management	Environmental Services
Starbucks	Food and Beverage

Exhibit 3.1 Selected Winners of the World's Most Ethical Companies (3 of 3)

Company	Industry
PepsiCo	Food and Beverage
L'OREAL	Health and Beauty
Cleveland Clinic	Healthcare Services
3M Company	Industrial Manufacturing
Deere & Company	Industrial Manufacturing
General Electric	Industrial Manufacturing
Marks and Spencer	Retail
UPS	Logistics and Transportation

Ethics in Other Countries

- Foreign Corrupt Practices Act (FCPA):
  - Prohibits U.S. corporations from making illegal payments to public officials of foreign governments
  - Has been criticized for putting U.S. businesses at a competitive disadvantage
  - Has encouraged some countries to implement their own anti-bribery laws

Learning Objective 4: Corporate Social Responsibility

Corporate social responsibility (CSR)

- Business's concern for society's welfare
- Demonstrated by managers who consider both the long-range best interests of the company and the company's relationship to the society within which it operates

Stakeholders and Social Responsibility (1 of 2)

- Stakeholder theory
  - It is an ethical theory stating that social responsibility is paying attention to the interest of every affected stakeholder in every aspect of a firm's operation.
- *Employees* have their jobs and incomes at stake.
- *Management* plays a special role, as they also have a stake in the corporation.

Stakeholders and Social Responsibility (2 of 2)

- *Customers* generate the revenue for the organization.
- *The local community*, through its government, grants the firm the right to build facilities.
- *Suppliers* are vital to the success of the firm.
- *Owners* have a financial stake in the form of stock in a corporation.

## Exhibit 3.2 Stakeholders in a Typical Corporation
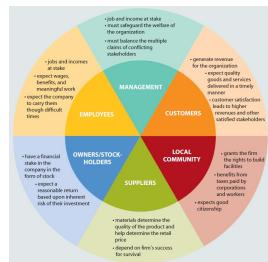
Pyramid of Corporate Social Responsibility

- Total corporate social responsibility has four components:
  - Economic, legal, ethical, and philanthropic
- The pyramid of corporate social responsibility portrays economic performance as the foundation for the other three responsibilities.

Exhibit 3.3 The Pyramid of Corporate Social Responsibility
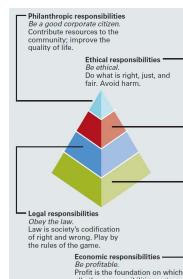
Learning Objective 5: Argument for and against Social Responsibility

Arguments for and against Corporate Social Responsibility

- For
  - It is the right thing to do.
  - Businesses have the resources to devote to fixing social problems
  - It helps prevent government regulation and potential fines.
  - It can be profitable.
- Against
  - It takes focus away from making profits.
  - Management spends the shareholder money on environmental initiatives

Growth of Social Responsibility

- Increasing pressure from governments, advocacy groups, investors, prospective employees, current employees, and consumers to make their organizations more socially responsible
- United Nations Global Compact (UNGC)

Becoming a B Corp

- Companies must score at least 80 points on a 200-point assessment to become a B-Corp Certified company.
- Criteria:
  - Fair compensation for workers
  - Amount of waste that a company produces
  - Company's work with local businesses

Sustainability

- It is the idea that socially responsible companies will outperform their peers by focusing on world's social, economic, and environmental problems.
- Environmentally sustainable companies believe that threats to the environment should be minimized or eliminated.
- Social sustainability means developing processes and structures that not only meet the needs of a current community but benefit future generations as well.

Green Marketing

- Outgrowth of the social responsibility and sustainability movements is green marketing
- Development and marketing of products designed to minimize negative effects on the physical environment or to improve the environment
- One approach that firms use to indicate that they are part of the green movement is to use third-party eco-logos
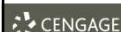
Leaders in Social Responsibility

- Two names at the top of many social responsibility lists are Patagonia and Tom's Shoes.
- Patagonia, a private outdoor clothing manufacturer, was founded by Yvon Chouinard but is now headed by Rose Marcario.
- Blake Mycoskie founded TOMS Shoes more than a decade ago.
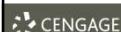
Learning Objective 6: Cause-Related Marketing

Cause-Related Marketing

- A sometimes controversial subset of social responsibility is cause-related marketing.
- It is the cooperative marketing efforts between a for-profit firm and a non-profit organization
- Any marketing effort that targets social or other charitable causes can be referred to as cause-related marketing.
- The huge growth of cause-related marketing can lead to *consumer cause fatigue*.

Key Terms (1 of 2)

- Social control
- Behavioral norms
- Ethics
- Deontological theory
- Utilitarian ethical theory
- Casuist ethical theory
- Moral relativism
- Virtue
- Code of ethics
- Foreign Corrupt Practices Act (FCPA)

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Key Terms (2 of 2)

- Corporate social responsibility (CSR)
- Stake holder theory
- Pyramid of corporate social responsibility
- Sustainability
- Green marketing
- Cause-related marketing

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