

Ethics and Social Responsibility

MKTG 8

Chapter 3

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Learning Outcomes

LO¹ Explain the determinants of a civil society

LO² Explain the concept of ethical behavior

LO³ Describe ethical behavior in business

LO⁴ Discuss corporate social responsibility

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Learning Outcomes

LO⁵ Describe the arguments for and against society responsibility

LO⁶ Explain cause-related marketing

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Determinants of a Civil Society

Explain the determinants of a civil society

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The Modes of Social Control

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

- Ethics - moral principles or values that generally govern the conduct of an individual or a group.
- Laws - 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, clubs, and professional associations all have codes of conduct.

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The Modes of Social Control

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

- Self-regulation - Self-regulation 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.
- An active civil society - An informed and engaged society can help shape and mold individual and corporate behavior.

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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. (p. 35)

- Deontology – adhere to obligations and duties!
- Utilitarianism – the greatest good for the greatest number!
- Casuist – compare current dilemma to similar ones and their outcomes to find the best possible solution
- Moral Relativists – time and place ethics. E.g. is arson always wrong? (p. 35)
- Virtue ethics – Virtues are “good” character traits. Virtues help you make decisions.

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Ethical Behavior in Business

Describe ethical behavior in business

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Ethical Behavior in Business

Ethics	The moral principles or values that generally govern the conduct of an individual.
Morals	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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Dell: An Ethics Case

- Documents from a lawsuit revealed that Dell shipped over 11.8 million faulty computers between 2003 and 2005.
- An internal investigation revealed extensive problems, but Dell tried to cover up the problem, telling its sales team not to mention bring it up.
- Dell at times used faulty components to fix broken computers.
- Dell took a \$300 million charge to fix the computers, but only in response to stakeholder demands.

At what level of ethical development is Dell operating?

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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

Businesses must be careful not to make their code of ethics too vague or too detailed.

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Ethics in Other Countries

Foreign Corrupt Practices Act (FCPA)

- Prohibits U.S. corporations from making illegal payments to foreign officials. (encourages ethical behavior when a company has overseas operations)
- Has been criticized for putting U.S. businesses at a disadvantage. (sometimes cultural norms are different; e.g. giving gifts)
- Has encouraged some countries to implement their own anti-bribery laws.

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Pepsi's Code of Ethics

- Care for our customers, consumers, and the world we live in
- Sell only products we can be proud of
- Speak with truth and candor
- Balance the short term and the long term
- Win with diversity and inclusion
- Respect others and succeed together



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

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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

- Cause-related marketing is the cooperative efforts of a for-profit firm and a non-profit organization for mutual benefit. It creates good public relations for the firm and often stimulates brand sales.
- Marketing done by a social or charitable cause is also referred to cause-related marketing.
- Philanthropy or charitable donations are different from 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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