

ETHICAL BEHAVIOR IN MARKETING AND BUSINESS DEVELOPMENT

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Abstract: The challenges of the current business environment need a comprehensive understanding so that corporate behavior can be modeled on ethical principles. This statement appears to be simple, but it is difficult to live by. Cut throat competition in the market and the ever growing appetite of consumers for newer and better products and services tempts the companies to shortcut their efforts. But in the long run only companies which have laid emphasis on corporate morality and ethics have survived the tide. This article explores the areas where the companies find cut throat competition and a stifling effect of the marketing and business environment. When the going is good everybody is nice and good and ethical; but the moment there is a challenge in the business environment, companies are huddled together to make strategies to meet the new challenge. Sometimes the industry itself is a victim to such short sighted and ill conceived notions. Arising out of this predicament is corporate will to maintain ethical behavior at all costs and to face the challenges squarely. Often you may be surprised that this is what differentiates great companies from the also ran!

Keywords: *Comprehensive understanding of environment for ethical behavior, how companies face such challenges, corporate will and unrelenting consumer expectations!*

INTRODUCTION

These are days when terms such as ethics are very much forgotten. But customer is unforgiving and remembers all your interactions and tries to evaluate them based on his value system sometimes also called ethics.



**"Someone calling themselves
a customer says they want
something called service."**

Figure 1: Customer? Who?

Marketing and Sales are intertwined and sometimes cannot be separated. While in general Marketing tries to identify a customer for his products based on the features and functional utility, the company has to make sure that the customer wants it for the price

that is quoted and will be of use to him in improving his business or personal situation. The enthusiastic sales personal at the customer contact and first level may be happy to conclude a sale. But it is for the marketing and senior personnel in the corporate ladder to decide whether such sales are genuine. A business is built on the reputation of the company and its sales contact persons who are in touch with customers create the image. If the sales person making a sale is genuinely happy that the customer has bought his product and it will be of good use and service to him, it is good. But if it is another one off gimmick to increase sales volume and fulfill his quota, it is detrimental to the company in the long run.



Figure2: Ethics in online business

This can happen at the Business Development Manager level also. In order to gain access to a new territory or account the business development manager cannot close his eyes to wrong sales. Online business is quite popular because of the easiness of transactions. But it has the potential to destroy the product and company as the word gets around faster than the sales. The word of mouth publicity is the most hurtful as well as most rewarding, if it is for the proper reasons. Marketing managers have the added responsibility to be careful that the bad publicity does not hurt long term business and problems have to be fixed quickly. This is where business ethics form the fundamental basis of any business.



Figure3: Business ethics

Ethical Business is a social responsibility of the organization and organizations are judged and their products preferred based on the perception of customers that the company is ethical in its business conduct.

OBJECTIVES AND METHODOLOGY

Business ethics is reflected in the moral and socially acceptable behavior of corporations and companies. In fact there are no prescriptions or compulsions in company manuals to explicitly make statements on how the company will be judged on its moral and ethical behavior. But ethical behavior is sensed by customers and public in terms of company policies, procedures and actual conduct in different business environments. With the rise in competition and the pressures on companies on the profitability, market share and volume growth companies are tempted to shy away from ethical behavior. The present research paper will attempt to analyze the present business environment and how companies cope with the situation. Specifically following Objectives have been identified for this particular research paper:

1. A brief review of the Current business environment.
2. An account of how ethical behavior of companies is affected.
3. Challenges of Marketing and Business development on ethics
4. How organizations are meeting these challenges.
5. Analysis, Conclusions and recommendations

Methodology for this research has been a detailed review of published literature and a general survey of Literature on this field. While doing a literature survey it was observed that valuable data for the limited purpose of this research paper was available from publications and the World Wide Web. The researchers job was challenging as he had to go through various research publications to retrieve relevant material, and to organize them classify and tale out the essence of conclusions to arrive at the researcher's perspective and further contribution. Analysis and conclusions are given below and suitable recommendation is also added for further research and contribution in this area to further broaden our perspectives for a better understanding of Ethics.

REVIE W OF LITERATURE

Literature on Management is full of research papers and books on ethical conduct of business and individuals as employees of such a business organization. While recruiting suitable employees to fill up Management positions and also supervisory and executive jobs a comprehensive induction program is organized by companies on the ethical values that the company stands for and what is expected of individuals as employee of such an organization. While the corporate behavior of the company is controlled by top management, the ethics and values reflected in corporate policies are to be reflected during the operations for which employees are recruited and held responsible for. Corporate culture will be ingrained as the employee gets more involved in company business and moves up the ladder. In Marketing, Sales and Business development activity

the employees come in contact with and are exposed to customers and stake holders of business. In the presentation of Annual business results to stake holders also, the public limited companies are responsible to answer questions related to Business ethics and values.

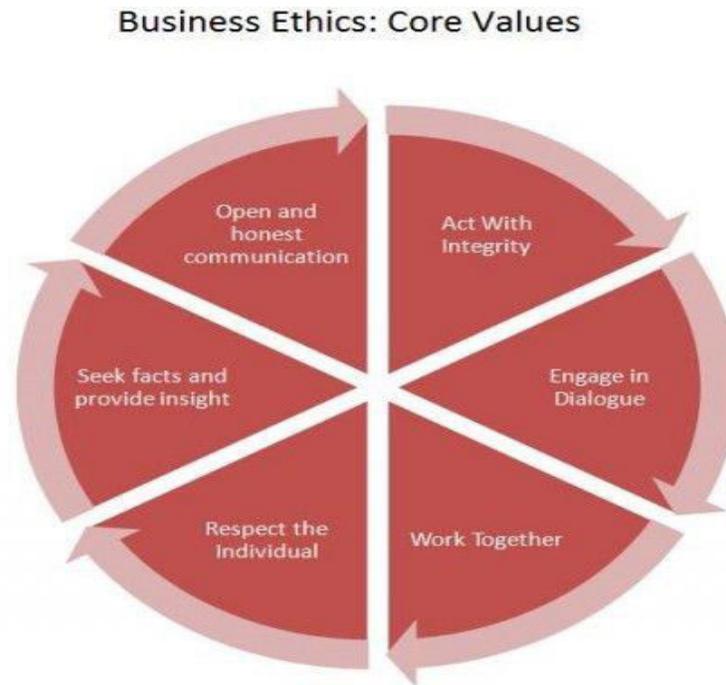


Figure 4: Ethical conduct of employees and what is expected of them (A sample)

What constitutes ethical behavior of a company and its members is judged by the general public while using their products and services. Ethics starts at home. In terms of the behavior of the employees a glimpse of the ethical standards followed by the company is seen. Figure 4 is an illustrative example of how ethical conduct of employees in an organization can be measured. The ethics of a company is based on the core values of employees cherished throughout the organization. In the above example a few qualities which distinguish the employees of this company are enumerated - Open and honest communication with others, Acting with integrity, Always engaged in dialogue to resolve a conflict situation or a problem, team work I all departments, Employees respecting the individual for his skills abilities and contribution, always seeking fats to provide a better insight etc. This serves as a guide and reminder to all employees who may have difficulty to manage in a critical situation.

Literature is full of a lot of theories and reminders if ethical conduct and behavior. While individual conduct and ethical behavior are reflected on the example given above, the company is judged by stake holders like customers, suppliers and general public for what it stands for and how it conducts and reacts in certain environmental circumstances. Ethics inside has to be balanced by ethics outside. Ethics outside, is illustrated in the example given below Figure 5. The ethical behavior has to be approved and

acknowledged by regulators, and very importantly stock holders and share holders. Ethical behavior of a company is reflected in terms of its relationships with vendors and suppliers and other business partners. Investor comfort is critical to attract investment in the company for which they have to be convinced of the ethical standards maintained by the company, inside and outside. The company is always in focus by industry in which it is a member and has to be guided by best practices followed by industry standards and accepted by them. Moreover the industry leadership depends on the conduct of the peers in the group who set examples by their exemplary behavior and conduct.



Figure 5: Ethics 'INSIDE' and 'OUTSIDE'

The company has the responsibility to attract customers. One of the ways is to deal with all customers equally and express its ethical behavior in ways understood by the customers. Customers are no more carried away by empty satirical words, but would like to have the 'proof of the pudding before eating'. When Company policies reflect the company attitude to customers and employees, they will be able to attract employees who will be committed to company and available on a long term basis. The Employers have to elevate themselves into position of 'employers of choice' i.e. they attract applicants to job positions automatically by the reputation of the company.

Ethics as a subject of management literature has held an attraction for researchers and academicians. During the last two centuries management literature is filled with research work from eminent scholars all over the world. Business rose as a need to fulfill aspirations of people for different product and services; and when the volumes of business increased selling became difficult because the customers had become more discerning and demanding. Only the competitive ones survived. The time became progressively right to conclude that every business did not automatically succeed even if it had something new to offer. This is because the ground rules had changed; people wanted to see big businesses contributing to social welfare. So, arose the thinking that business is not just to make profit but to serve society in ways that will be appreciated. Customers would like ethical businesses when they found one more serving and appreciative of their needs. Thus arose several theories on Ethics and ethical behavior of companies and corporations.

Formative ideas on theories of ethics, is depicted in the illustrative Figure 5 given below. It started with describing what activities are to be pursued by companies to be considered as ethical. It started with an analysis of what sort of people are to be employed or working for a common purpose. Consequentialism was developed, which considered that the right action in an organizational situation was one which produced the maximum social good and welfare. This desire for intrinsic welfare was pronounced in most of the early organizations. Consequentialism is the class of normative ethical theories holding that the consequences of one's conduct are the ultimate basis for any judgment about the rightness or wrongness of that conduct. Thus, from a consequentialist standpoint, a morally right act (or omission from acting) is one that will produce a good outcome, or consequence. In an extreme form, the idea of consequentialism is commonly encapsulated in the saying, "the end justifies the means", meaning that if a goal is morally important enough, any method of achieving it is acceptable.

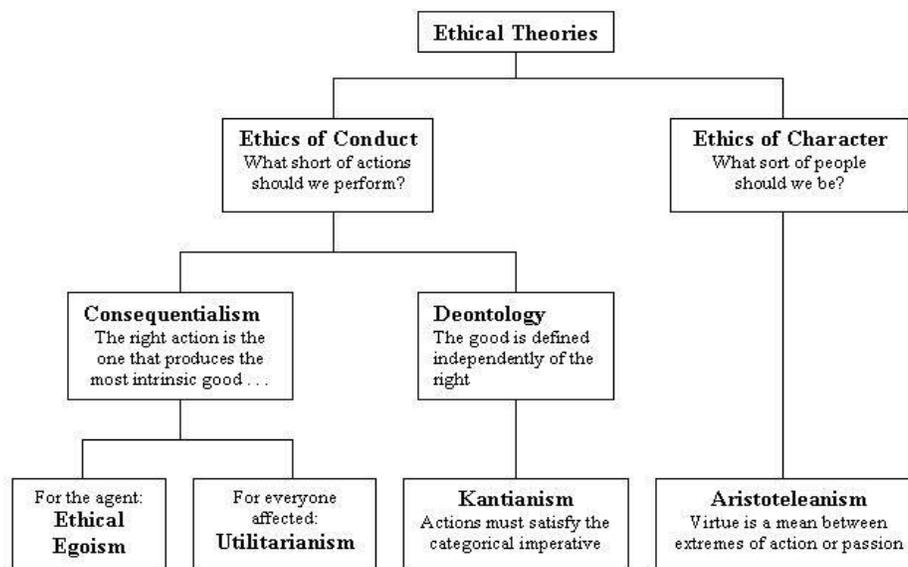


Figure 5: Theories on ethics

Another development was the principle of Deontology where the Good is defined independently of the right. Deontology, in which rules and moral duty are central, derives the rightness or wrongness of one's conduct from the nature of the behavior itself rather than the outcomes of the conduct. It is also contrasted with virtue ethics, which focuses on the character of the agent rather than on the nature or consequences of the act (or omission) itself, and pragmatic ethics which treats morality like science: advancing socially over the course of many lifetimes, such that any moral criterion is subject to revision. Consequentialist theories differ in how they define moral goods.

Next development of thought was called 'Ethical Egoism' which contrasts with ethical altruism, which holds that moral agents have an obligation to help others. Egoism and altruism both contrast with ethical utilitarianism, which holds that a moral agent should treat one's self (also known as the subject) with no higher regard than one has for others (as egoism does, by elevating self-interests and "the self" to a status not granted to

others). But it also holds that one should not (as altruism does) sacrifice one's own interests to help others' interests, so long as one's own interests (i.e. one's own desires or well-being) are substantially equivalent to the others' interests and well-being. Egoism, utilitarianism, and altruism are all forms of consequentialism, but egoism and altruism contrast with utilitarianism, in that egoism and altruism are both agent-focused forms of consequentialism (i.e. subject-focused or subjective). However, utilitarianism is held to be agent-neutral (i.e. objective and impartial): it does not treat the subject's (i.e. the self's, i.e. the moral "agent's") own interests as being more or less important than the interests, desires, or well-being of others



Figure 6: Ethical egoism

Kant's theory is an example of a deontological moral theory—according to these theories, *the rightness or wrongness of actions does not depend on their consequences* but on whether they fulfill our duty. Kant believed that certain types of actions (including murder, theft, and lying) were absolutely prohibited, even in cases where the action would bring about more happiness than the alternative. For Kantians, there are two questions that we must ask ourselves whenever we decide to act: 1. Can I rationally will that *everyone* act as I propose to act? If the answer is no, then we must not perform the action. 2. Does my action respect the goals of human beings rather than merely using them for my own purposes? Again, if the answer is no, then we must not perform the action. (Kant believed that these questions were equivalent).

Aristoteleanism is an ethical and 'practical' philosophy, that the highest temporal goods, which are internal to human beings, are actualized through participation in social practices. Philosophical features of Aristoteleanism include a methodology which takes a critical approach to existing or hypothetical doctrines, and an emphasis on knowledge that can be acquired by natural means through the senses and the exercise of reason. Aristotelian metaphysics places the individual at the center of the realm of existence. Aristotelian ethics emphasize intellectual activity as the primary path to happiness, followed by the practice of virtue. Virtue is characterized as moderation and conscious self-control. Aristotelian political theory considers the state as a self-sufficient society, necessary to provide the social structure and order in which men can achieve happiness.

Today's ethical issues range from very simple to extremely complex. One example of a simple issue is company smart phones. In today's business, one of the first things a company may do is equip you with a phone. The question this places upon our leadership is; do they contact their employees whenever they want? Technology has provided immeasurable good, but it has also provided new simple ethical decisions our business leaders now face on a daily basis. With the globalization of business, simple things like modes of communication are morphed into difficult decisions with complex outcomes. Tim Armstrong, CEO of AOL, was recently in the news for publicly firing an employee during a meeting. Though he fired only one employee, he communicated something to his other employees that he may not have wanted to. Sometimes we miss the simple opportunities of leadership by complicating what it really is – leading. We need to discuss and educate on the simple to avoid the complex.

In the 1980s, business ethics were seen more as business philanthropy and "giving back." Today, we call that corporate social responsibility. On some levels, we still view business ethics through this lens. This is like putting a Band-Aid on a really big wound. We need to treat the infection of unethical motives and unrealistic expectations to really make changes in businesses' ethical cultures. We need to install a system that encourages people to want to be ethical, not one that tries to force them. The positive value of business within our society has been shrouded by the negative and the "it is just business" attitude. In educating the next generation of business leaders, we should focus on honesty, integrity and values in business, and they will become leaders who want to give back.

Business ethics refers to contemporary organizational standards, principles, sets of values and norms that govern the actions and behavior of an individual in the business organization. Business ethics have two dimensions, normative or descriptive. As a corporate practice and a career specialization, the field is primarily normative. Academics attempting to understand business behavior employ descriptive methods. The range and quantity of business ethical issues reflects the interaction of profit-maximizing behavior with non-economic concerns. Interest in business ethics accelerated dramatically during the 1980s and 1990s, both within major corporations and within academia. For example, most major corporations today promote their commitment to non-economic values under headings such as ethics codes and social responsibility charters.

Many of our business and government leaders have found themselves facing the age-old issues at hand of ethical infractions like affairs, drugs and greed. Either way, it ends at the same destination – the loss of trust and credibility as a leader. We highlight these unethical leaders in case studies, news and in our classrooms, but business schools should be providing our future leaders an ethical roadmap based on how thousands of Business

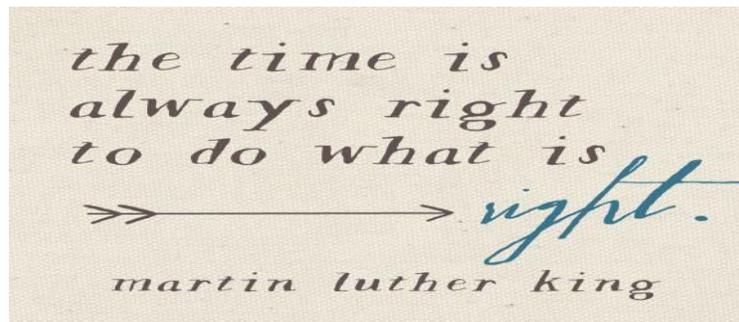


Figure 7: A constant reminder

Leaders are doing it the right way. Today, more than ever before, what Martin Luther King said "The time is always right to do what is right" is RIGHT

ANALYSIS AND CONCLUSIONS

The current business environment is competitive, but it often reminds me of the dangers lurking behind. The business pressures are driving human beings to do more and more work in a day which seems to never end. While it is appreciated that the environment is super charged with activity, the moot question is whether all that is necessary. Digital distraction is another phenomenon and youngsters see to think that the mobile is an extension of the arm. People are working in distant offices and factories and day commuting to office and back itself is a big ordeal. Then where is the time to sit at home leisurely and talk to children about home work and school activities and their exploits? With both the parents i.e. mother and father taking employment to offset the costs of schooling and other needs, it is difficult for a family get together, that was common for dinner every day.

Businesses are competitive and that brings in pressures. Marketing and Business development are some critical areas where the pressure is felt more, since the company executives are indirect contact with customers. Every company wants to do its business in an ethical manner and grow in the market. But the business pressures have to be dealt carefully so that they do not affect your ethics! In a cut throat environment the Marketing and Sales may tend to give more discounts and be found favorites in the market place. But this will offset company profits and budgeted figures. Competitors also catch up with such gimmicks. So, in the long run you need to stick to your ethics of delivering a quality product at an acceptable price. Ethical behavior is appreciated by all stake holders of business in times of need.

The challenges are met though lean organization and a good plan for eliminating all forms of waste. A good Quality program is not a drain on the company but a savior of wasteful operations and material. The employees sometimes feel the pressure of the challenge to meet deadlines and quality. But by constant practice and a fresh approach to team work and problem solving can get over such temporary distractions.

Organizations meet such challenges by reorganizing on a continuous basis to meet the new challenges of the environment on business. An ethical company only attracts business because the customers know about it and has the confidence to deal with them.

The history of business ethics provides an important background for understanding business ethics today. The topic is becoming more important in the academic study of business and nearly every public corporation has developed at least some elements of an ethics program (primarily based on the Defense Industry Initiatives and resulting Federal Sentencing Guidelines for Organizations). This perspective on the history of business ethics focuses on the micro/macro, as well as normative/descriptive impact of ethical decision making. The collective or aggregate ethical decisions of organizations affect key stakeholders in society. On the other hand, one company's ethical decisions such as Enron or Royal Ahold, can damage shareholders, employees, and communities on a macro level.

RECOMMENDATON/ SUGGESTIONS

There is much evidence that good ethics is good business. The Ethics and Compliance Officers Association is funding a major study to determine relationships between effective ethics programs and the bottom line. This study is being conducted by economists at the University of Chicago. Already there is much academic research that supports this hypothesis. The growth of ethics officers and ethics programs in organizations has occurred worldwide with strong support from stakeholders. The European Business Ethics Forum provides training events exclusively for managers responsible for ethics, compliance, and business conduct. This organization works with a broad European and U.S. peer group of corporate managers in organizations including: European Business Ethics Network, the Ethics and Compliance Officer Association-U.S., and the Institute of Business Ethics-U.K. Asian companies are also developing comprehensive ethics programs and attending conferences, workshops, and forums in the U.S. and Europe. The Bank of Tokyo has been recognized by the U.S. Sentencing Commission as having a model corporate ethics and compliance program.

There is still much to be done to understand and improve business ethics globally. The academic community can support business ethics with more research to determine the role of both the individual and organizational culture in building an effective ethics program. Businesses need to remain open to learning more about how to build an effective ethics initiative and understanding the importance of managing the internal organizational culture to maintain a commitment to integrity and transparency. Personal character and ethical leadership will continue to be key ingredients to improving business ethics in the future.

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