

BUSINESS-TO-BUSINESS MARKETING

WEEK 12 ETHICAL ISSUES IN BUSINESS MARKETS

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WEEK TWELVE

ETHICAL ISSUES IN BUSINESS MARKETS

12.1 Introduction

Welcome to the week 12 lecture! This is our last session in these discussions, and I want to really congratulate you for coming to the end! We have now covered eleven topics on the core issues in business markets strategy. It is my hope that you have gained insight, knowledge and understanding on strategy development, implementation, and evaluation in business markets. It is my sincere hope that you can now advise, develop and implement a business marketing strategy in business-to-business markets. The glue that puts all thing together and ensures everything works as per the plan is the ethical values and practices held by business marketer. In this concluding lesson we shall therefore examine ethical issues and their implications for the business marketer.

12. 2 Intended Learning Outcomes

At the end of this lecture, you will be able to:

1. Define business ethics and describe various views on it.
2. Describe ethical dilemma faced by business marketer.
3. Discuss ways of making ethics work in a business market

12.3 Definition and Views on Business Ethics

There is generally no one agreed definition of ethics. Various authors define ethics differently but agree that it has to do with what is right and wrong in a particular situation. Ethics means a standard of behavior, a conception of right or wrong conduct (Lawrence and Weber, 2011). Ethical principles are guides to what is right and wrong usually derived from religious beliefs as well as industry and professions, families, friends, schools and the media. For marketers, ethics in the workplace refers to rules (standards, principles) governing the conduct of organizational members and the consequences of marketing decisions (Ferrell, 2005). Ethics is defined as an inquiry into the nature and grounds of morality where morality means moral judgments, standards, and rules of conduct (Tsalikis and Fritsch,1989). Murphy P.E (2005) stated ethical marketing as practices that emphasize transparent, trustworthy, and responsible personal and organizational marketing policies and actions that exhibit integrity as well as fairness to consumers and other stakeholders. From the various definitions we take note of the following:

1. Ethics is concerned with what is right or wrong.
2. Ethics principles may differ in different contexts.
3. Both individual and organization ethical standards are significant
4. Source of ethical standards vary.
5. Ethics is the applied study of what is good and evil, right and wrong and just or unjust in the actions of a firm or of the market in general.

In business markets ethical issues are particularly important because of the realization that business markets are different from consumer markets. 1. The business markets have fewer controls due to

the fact that personal sales are relationship based, requiring the seller to tailor the process according to the buyer's personality and approach. On the other hand, B2B sales are often large and complex which necessitates personalizing the marketing mix. to the individual buyer, pricing negotiation between the buyer and seller rather than setting them uniform across all customers and that communication about the product and pricing takes place mainly through informal or formal verbal presentations and discussions. 2. The B2B sales process is difficult to monitor and control and requires salespeople to use their personal judgements a lot. 3. B2B personal selling almost always uses an incentive structure, which puts immense pressure on the sales rep to close large deals. 4. Sales reps are also motivated to meet (and exceed) sales quotas to secure their jobs (Lumen learning n.d.).

12.4 Why Business Marketer Would Be Concerned about Ethics

The business marketer must be concerned about ethical practices because of many ethical issues affecting the market. Lindfelt L.L and Tornroos J. (2006) describe the following as reasons for this concern:

1. More transparent and open information availability and use across the globe. The spread of information and access to new markets also affects business-to-business relationships and concerns an increasing number of suppliers and buyers in new areas and regions.
2. Social and environmental concerns which include product safety and marketing practices, child labor, environmental damage and the impact of investing in third world countries.
3. Globalization of markets creates new supply and demand relationships for companies as well as between institutional actors. The marketer is concerned about the activities of environmental, human rights and consumer groups, UN, EU among others.
4. Ethical issues have a more direct bearing on business than before. Consumers and businesses are more cautious when making decisions related to goods and services that have been produced under harmful circumstances.
5. Economic scandals and corruption have a "global" effect on a company's image. They have effects on its relationship to authorities and credibility in the eyes of the public.

Business marketers rely on maxims to determine whether an activity is ethical or not. These are beliefs that guide the decision and will include the following as adapted from Smith, 2012:

- Do unto others as you would have them do unto you.
- Would I be embarrassed if the media publicized my decision?
- Good ethics is in the firm's long-term best interest.
- Would colleagues view this action as proper?
- When in doubt, don't.

12.5 Ethical Issues Common in Business-To-Business Markets

In this section we highlight common ethical issues and dilemmas the business marketer encounter and how to address them (Blythe and Zimmerman 2013).

1. **Selling:** In carrying out this function the business marketer is confronted with issues of widespread demands of bribes especially from government institutions and business that attach award of contracts to the same. The marketer must make a decision on whether to engage in it or not and also bear consequences which could be loss of contract or business reputation. The marketer is further confronting issues of gift giving, favors and entertainment which may be considered ethical in some countries while in others unethical. Misrepresentation and/or overselling a product, especially by puffing up specific aspects in a not entirely accurate way or by omitting possible critical problems also create ethical issues. Other selling function issues of concern include conflict of interest of and compensations and bookings.
2. **Product:** The greatest concern here is the issue of safety of industrial products. In most cases there is no government legislation on these matters leaving it open for manufacturers to do the right things. The rule of caveat emptor applies in most cases. The business marketer must consider the time his products become obsolete or eliminated from the market and ensure that the user does not lack spare parts and services required. The business marketer must be concerned about environmental impacts of his products, especially manufactured items as well as disposal of the same.
3. **Marketing communications:** The issues of deceptive/misleading/advertising and/or sales promotion are of great concern to a business marketer. The use of puffery in consumer advertising works well but not so for business marketers. Violations of confidential information sourced directly from Internet marketing remain an area of significance in the field of ethical practices in business markets.
4. **Pricing:** This is perhaps the most controversial area that represents many issues of ethical concern to the business marketer. Price fixing is an agreement among competitors (either written, verbal, or inferred from the parties' conduct) that affects prices or competitive terms. It is prohibited by law in some countries while in others it is a normal practice by cartels. The issue of reciprocity also comes into play. This simply means giving preference to a vendor who is also a customer and denying others a chance. The business marketer is also expected not to violate the secrecy in bidding. He must not favor any competing bidder by revealing the expected price. Sometimes the business marketer will utilize price discrimination in some markets. The discrimination must be justifiable as it will affect other businesses. Unfair pricing is another concern the marketer would be accused of. He/she must not overcharge the intermediaries and the final consumer to make unjustifiable profits. Other pricing issues that would raise ethical concerns include questionable invoicing and artificial transfer pricing.
5. **Distribution:** A vexing problem is attempting to set the same requirements and give the same benefits to distributors around the world. It is important that a firm apply its ethical standards to distribution policies in various markets. The issue of inflated commissions should be viewed as suspect by any manufacturer's marketing department and necessary actions taken.
6. **Market research:** The main market research issues that the business marketer must address include the following as discussed by Craig and Douglas (2000); respondent voluntary participation, information confidentiality, no harm, and disclosure of any recording. On the other hand, researchers should be truthful about their skills and experiences, conduct research in the most cost-effective way, provide security for the data and provide findings only supported by the data.

7. **Personnel:** The main ethical issues considered here include discrimination in hiring employees, unfair dismissal, and general treatment.
8. **Cultural differences:** Chan and Armstrong (1999) define cultural differences as those involving potential misunderstandings related to traditional requirements of the exchange process including what may be called a bribe by one culture but not by another, different practices related to gifts, payments, favors and entertainment as well as political contributions. This brings out issues of cultural relativism.
9. **Involvement in political affairs:** The business marketer might find himself in situations where he is forced to contribute to the political agenda of the country where he is doing business.
10. **Illegal/immoral activities:** The business marketer might as well find himself entangled in illegal and immoral activities. In some countries the marketer might be trapped in the sale of illegal products or demands to engage in immoral activities are placed on him to win contracts and be awarded tenders.
11. **Packaging:** Ethical issues on package revolve around packaging sizes and the relation between packaging size and its content employed in order to lead the consumer into thinking that there is greater quantity of the product. Second, the design of the packaging implies wrongful or misleading information. Third, producers imitate another's packaging in order to imply a certain geographic provenance or quality of the product and price that may be wrongfully indicated or absent from the packaging (IMCO, 2012).
12. **Customer care:** Customer care is another very important issue for any business in satisfying their customers because proper customer care can create an image to the customers as the ethical and socially responsible firm. Customer care refers to companies' engagement in complaint handling and after sales service to the customers. Companies should try to provide a value-added service through polite and courteous service, offering confidentiality and an open-door policy, proactive problem solving and guidance and handling request in timely and rational manner.

Among ethical issues that affect business marketers most include bribery, fairness, honesty, pricing, product, personnel, confidentiality, advertising, manipulation of data and purchasing (Chonko and Hunt (2000).

To address ethical issues in international markets, the business marketer would have to analyze it first. The use of Donaldson and Dunfee (1999) model would be useful. According to this model there are three levels of ethical standards or norms:

- a) Hyper norms; fundamental rights acceptable to all cultures and organizations.
- b) Consistent norms; are more culturally specific. They must be consistent with hyper norms; most corporations' ethical codes fall within this category.
- c) Moral free space: norms that are inconsistent with some of the legitimate norms described in the second level yet are often expressions of strongly held cultural beliefs.
- d) Illegitimate norms; are incompatible with hyper norms.

In determining the appropriate response in right of ethical questions raised, the business marketer would follow the following guideline (Blythe and Zimmerman, 2013):

1. Test ethical questions against the hyper norms which form the bedrock of ethical thinking. Violation of these hyper norms would lead to rejecting a possible course of action as unethical.
2. If the action is permissible when compared to consistent norms or falls into moral free space, it would then be subjected to a review in terms of utility (the benefits versus the costs), rights (whether human rights are respected), and justice (related to whether the benefits and costs are distributed). Should the action provide positive answers when viewed from the basis of utility, rights, and justice, the action proposed would be ethical. Should the action create negative results when viewed from these three perspectives, it would be unethical.
3. Should the answers be mixed, a business marketer would have to balance the concerns of all stakeholders as related to utility, rights, and justice before deciding on a course of action.

12.6 Making Ethics Work

The business marketer must make sure that ethics work in the business. This calls for action from management and employees and a lot of cooperation to realize the intended results. The following are ways in which marketers are attempting to make ethics work:

1. Code of ethics: The business marketer must ensure that there exists a well-deigned ethical code to guide all decisions. The code ensures that employees have clear guidelines on what is expected when ethical questions arise. The code is made part of the institution conduct of business to ensure it works.
2. Management to become ethics role models: It is not enough to have a code of ethics. Commitment of senior management to ethics is essential for promoting ethical behavior and that familiarity with the company code of ethics increases sensitivity to ethical decision making. In relating with employees and customers, the management must make all decisions with respect to the institution code of ethics (Chonko and Hunt, 2000).
3. Ethics training: All employees of a firm must be trained thoroughly on ethical codes of their organization and how to enforce it. The training program covers all areas of ethical requirements and ensures employees, especially new ones are conversant with ethical expectations.
4. Appointment of ethical officer and committee: The officer oversees enforcing the code while the committee develops appropriate policies on all areas of business operations including marketing.
5. Ethic audits and control system: Many firms conduct ethics audits to compare actual behavior with the established company standards. A firm should “quickly and decisively deal” with employees or suppliers who violate ethics policies.
6. Association’s codes of ethics: The firm should employ professionals who are not only members of professional bodies but who also subscribe to those bodies’ codes of ethics. Examples of such bodies with professional code ethics include American Marketing Association (AMA), Chartered Institute of Marketing (CIM), ESOMAR and Marketing Society of Kenya (MSK).

To integrate ethics strategy in a business, Paine (1994) gives the following suggestions:

1. The guiding values and commitments must make sense and are clearly communicated.
2. Company leaders are personally committed, credible and willing to take action on the values they espouse.

3. These values are integrated into the normal channels of management decision-making and reflected in the organization's activities.
4. Company systems and structures support and reinforce core values.
5. Managers throughout the company have the decision-making skills, knowledge, and competence to make ethically sound decisions on a day-to-day basis.

12.7 Ethical Decision-Making Process

Ethical decision-making refers to the process of evaluating and choosing among alternatives in a manner consistent with the ethical principles. In making ethical decisions, it is necessary to perceive and eliminate unethical options and select the best ethical alternative (Singhapakdi, et al 1996). The steps followed in ethical decision-making process would include the following (Palti et al, 2014):

Determine the facts of the situation that the decision maker should make an honest effort to understand the problem.

1. Identifying the ethical issues involved is the right direction in making responsible decisions. It's an ability to recognize a decision as an ethical one.
2. Identify relevant factors like stakeholders or laws or professional codes and considering the situation from their point of view of who will be affected by a decision, policy or operation of a firm.
3. Consider the available alternatives which is also called the moral imagination. It is important not only to consider the obvious options regarding particular dilemmas, but also much more subtle ones.
4. Compare and weigh the alternatives which create a mental spreadsheet that evaluates the impact of each alternative devised on each stakeholder.
5. Make a rational and reasonable decision or select a course of action among the supported ethical alternatives.
6. Evaluate the implications of the selected course of action to monitor and learn from the outcomes and to modify the actions according to facing similar challenges in the future.

12.8 Review Questions

1. Why should a business marketer be concerned about ethics?
2. Discuss ethic relativism in international markets.
3. How do marketers make ethics work in their businesses
4. Discuss ethical dilemmas faced by business marketer and propose solutions.
5. Senior managers in a business should become ethical role models. Discuss

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