Ethics and Global Marketing in the 21st Century

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Abstract

This paper seeks to introduce researchers to the flourishing field of marketing ethics in the global arena. There is a wave of scandalous behaviors that has drawn dramatic attention to instances of corporate’s unethical, irresponsible and flagrant illegal activities. This bad behavior of top executives, CEO’s and presidents is not good for corporations, consumers, stakeholders, and the public. A review of the marketing ethics literature demonstrates a high degree of complexity relevant to the ethical concerns of marketers and pointed to some reasons why that has occurred. An attempt is made in this paper to explain how ethical standards should govern corporations as they expand globally. Elements of the marketing ethics literature are reviewed to show how ethical principles affect the development of moral standards. The nature of ethical dilemmas facing marketers, and have theoretical inputs could impact ethical decisions in global marketing.

The Effects of Unethical Behavior in Marketing

The current literature has revealed several instances of unethical behaviors that have brought shame and disgrace to reputable companies. Among these but not limited to the following are:

- Enron, a dominant player in the field of energy trading collapsed and caught investors by surprise. Enron had made its financial records and account as opaque as possible. Kenneth Lay was convicted for conspiracy and multiple counts of fraud.
- Bernard Madoff sentenced to 150 years in jail for managing what is known as Ponzi scheme that defrauded charities, individuals, companies and investors.
- Sales of cigarettes in the state of Indonesia increased because of restriction and liability issues placed on cigarettes manufactures in the United States.
- Raj Rajaratnam, a recognized figure in hedge fraud was found guilty on 14 counts of securities fraud – insiders trading.
- Apple computers was being investigated by the European community for consumers for paying more for downloading songs from iTunes in the United Kingdom than in other parts of Europe.
- Two Chinese executives in the mining industry are jailed in China for leaking secrets to employees of Anglo Australian minor Rio Tinto.
The Sarbanes-Oxley Act of 2002 attempted to prevent accounting fraud. It made securities fraud a criminal offense and imposed stiffer penalties for corporate fraud. Some notable corporations that were caught for unethical, unscrupulous and misbehavior included Enron, Adelphi Communications, Lehman Brothers, Nextel Networks, World Com, and Parmalot.

**Why Global Marketing Ethics.**

A number of arguments can be advanced to explain the increase interest in international marketing ethics.

1. Marketing ethics in the international arena highlights a growing concern for ethics in general.
2. There are more specific arguments pertaining to the environment of marketing ethics in recent years. There are implicit characteristics of marketing activities that call for ethical reasoning.

There is an abundance of literature found in textbooks and journals supporting the increase interest in treating marketing as a discrete sub-theme, while other books focused on concerns relating to consumers.¹ Hartman (1998). The concerns for the consumers were being voiced out loudly.² Hoffman and Fredrick (1995). Leading journals such as the Journal of Business Ethics and Business Ethics carried articles with strong marketing relevance. These articles were thought provoking and opened up many issues for debate/discussions. The ethics of global marketing, the morality of capitalism, the profit motives of corporations and the justice or injustice of free market.

The rise of marketing ethics can be seen in light of reactions to global marketing impacts, deceptive advertising, the role that advertising plays in a country, with arguments suggesting that many advertising activities are, or can be unethical. According to Baack, Haroos, Baaek (2013), some of the majors complaints about advertising include these:

1. Advertising over emphasizes materialism.
2. Advertising increases police.
3. Advertising perpetuates stereotypes.
5. Advertisements are often offensive.
6. Advertising dangerous products is unethical.³

Global advertising is a fast paced business. The world is fluid and dynamic. Today there are many ad agencies both local and global preselling their client’s products. This push might be regarded by some consumers as ethical or unethical especially when pushing consumers to

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accept a sales-pitch. Advertising can be offensive in a number of contexts such as the messages many offend an audience that which may perceive that they violate cultural norms or mean-spirited toward a group of people.

Global trade

High ranking officers abuse their official positions through insiders trading: the buying and selling of stocks (or other financial securities) on the basis of nonpublic information that is likely to affect their prices. Corporate executives, directors, officers and other high ranking employees are insiders. Insiders’ trading leads to misappropriations as the security and exchange commission wants to insure honest securities markets and thereby promote investor’s confidence.  

Ethical Decision Making and Global Marketing

Decision making in the global marketing place is a conscientious process of making choices among alternatives with the intention of moving toward some desired state of affairs.

Today, as businesses move from a global level a marketer may be exposed to business practices that are considered unethical in the person’s home country. Some years ago chemical companies were banned to sell pesticides that were outlawed in Western Europe and sold these outlawed and outdated pesticides to countries that did not have the prohibition.

Codes of ethics generally provide specific instructions for addressing common ethical issues. The framework to determine which behavior is ethical or unethical can be approach from separate perspectives:

1. Cultural Relativism - the concept that an individual’s cultural standard form the ethical or unethical implications of their beliefs and actions. This evaluating ethicalness subjectively on the basis of individual and group experiences. The other perspective is that this approval may tacitly approve of behaviors almost universally put down as being unethical and immoral for instant, child labors, oppression of women, and slavery. Cultural sensitivity and the level of education are being faulted for teaching an inappropriate level of relativism.

2. The justice approach takes a position to treat everybody fairly and constantly when making decision. Two types of justice are presented. Distributive justice – focuses on the fairness of outcomes, rewards and punishment. Procedural justice is based on the processes and activities that produce the outcome or results. This type of justice influences employees’ attitudes and behaviors toward work group cohesion. The justice approach calls for equal pay, good working conditions, rules and ethical behaviors in all countries where business is active.

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Developing Ethical Standards

Global marketing ethics should improve the quality of life by providing goods and services that fulfill consumer needs. Rendering goods service to others is an admirable standard for an ethical business operation. Corporations need to be ethical. The financial well-being of workers and the growth of an organization depend on employees serving the needs of consumers, and others. Any other behaviors that are unwelcome, unethical can hurt society, suppliers and the welfare of those in the chain. Bad behavior can gradually erode the firm’s image and the firm’s reputation. By providing goods and services is one good element of ethical business operations. Doing business involves a network of human interventions from need to quickly explore and establish for themselves ethical standards that can be a roadmap to govern their behaviors.

Corporations must pay attention in managing organization’s ethical environment. Developing ethical standards takes time. It can develop over a period of learning, dialogue, an open line of communication at all levels of the organization. Keep transparency at the forefront of all activities – get everybody to participate.

To provide quality and excellent services is one ethical aspect of organizational operations. Good workers will enhance and facilitate products development, marketing, accounting, and management. Doing business involves a network of human interactions in this regard; there are some people with high ethical standards who are prepared to give their innermost best to advance progress, while others rarely lack the zeal for ethical standards.

Managers must manage their organization’s ethical environment. As human beings, we are prone to act and misbehave daily in engaging in unethical activities. Thus management is ethically challenged. The news media report daily organizational misbehaviors. The judicial system overflows with lawsuits for alleged wrongdoings filed against organizations by employees, customers, and other organizations.

There are federal, state, and local governments, along with agencies, create rules and regulations to protect the treatment of stakeholders and investors. Stakeholders and investors must be treated fairly. In the global arena, local firms must comply legally in light of their own ethical standards. At times, compliance laws may be at odds with universally acceptable moral principles. A case in point, apartheid laws in South Africa. Firms try to advance and uphold ethical standards may have a problem in trying to go beyond legal compliance. Firms may have to pay close attention to consequences of their actions and how the outcomes of their actions may affect various individuals and groups. The prevalence and costs of unethical behaviors in the global arena may be substantial. Managing global ethical behaviors affords ethical organizations with many competitive advantages. In respective of what is being done to create an awareness for ethical standards, unethical behaviors continue to occur because every person is morally imperfect. Sometimes, good ethical motives can generate bad consequences.

Several moral principles can help shape ethical standard for a firm. Those principles include utilitarianism, justice, human rights, and caring for others.
**Utilitarianism**

Utilitarianism - defines right or acceptable actions that maximize total utility, so the greatest good for the greatest number of people. Utilitarianism suggests that we have or should have some ultimate and that we might call utility. “This could be pleasure, happiness, so whatever you prefer. High grades, a good job, and a big salary are instrumentally good, while pleasure and happiness perhaps inherently good.”

Utilitarianism serves as the foundation ethic for the political, economic and business systems in the United States. Democracy is utilitarianism in the sense that everyone can state his or her preference and the best public policy is that which the majority requires. “The ethics of capitalism is based on utilitarian logic – the economic pursuit of self-interest, improves national wealth more than any other economic systems.

I believe that all organizations deserve managers who are utilitarianism, managers who are morally serious looking for what is best for the organization and those acts or rules that would produce the greatest possible balance of good over evil in a broader diversity.

The basic principles of utilitarianism are constitutive of a marketing ethics. This is a moral position that has attracted a significant numbers of ethicist. (Berlin 1991, Wolf 1992). This ethical theory (utilitarianism) may be problematic for organizations.

**Distributive Justice**

Distributive justice is the proper distribution of social benefits and burden. It is based on the evaluation of the outcome or results of business relationships. There is an assumption that justice required managers to implement and make decisions in different contexts base on some principles or set of principles. Walzer (1983) argues that different goods ought to be distributed for different reasons, in accordance with different procedures by different agents; and that all these differences derive from different understandings of the social goods themselves – the inevitable product of historical and cultural particularism.

There is no doubt that different norms and principles govern different distribution spheres, and these norms and principles are shaped by the implicit social meaning of the goods in questions.

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12 Walzer: Spheres of Justice, 6
Human Right

People should not be treated as means, but as ends. Human beings must be treated as free persons equal to everyone else. Several implications follow regarding international marketing have on different societies. There is a possibility that individual rights will provide an opportunity for conflict. Conflict of interest – exists when an individual must choose whether to advance his or her own interest, those of the organization, or those of some other group. It also can be viewed as a process in which one party perceives that his or her interest are being opposed or negatively affected by another party.

As a result the term justice and fairness are important consideration in determining ethical behavior.

An attempt was made by Rawls (1971) to develop a theory of justice that takes into account equality, needs, ability and effort, minimum standards of living, and preservation of freedom. His views reflect three areas of interest relative or relevant to the distribution of benefits and burdens in a society:

1. There are inequalities in society, efforts are made to correct this problem;
2. Everyone has an opportunity to qualify for privilege positions in society’s institutions; and
3. Everyone has a degree of liberty and thee liberties are protected infringement by others.

The bond rating agencies have experienced conflict of interest, for instance, Moody’s, Standard & Poor’s, and Finch Ratings that analyze financial deals by assigning letters such as AAA, B, CC to represent the quality of bonds, and investment had significant conflicts of interest. To put an end to conflict of interests. Workers must be able to separate their personal interests from their business transactions. In addition, all organization must try to avoid possible conflict of interest when providing products. They need to be open and transparent. Nothing should be done in camera in order to regain the trusts of the public and investors. Nepotism must be put to rest for good.

Deontology Perspective

Deontology refers to moral philosophies that focus on the rights of individuals and on the intentions associated with a particular behavior rather than the consequences. Basic premises of deontology theory are the idea that all men are created equal and that equal respect must be afforded to all men. Deontologist strongly believes that there are some things that we should not do, even to maximize entity. Deontologist openly regards certain behaviors as inherently right,

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and the determination of the rightness focuses on the individual person, not on society. Ethical principles are impartial; they do not take into account specific individuals.
Developing Ethical Standards

Moral Principles

- Maximize Social Utility
- Respect individual right
- Distribute benefits and burdens justly
- Exercise Caring

The firm’s current policies and actions

Discussion areas the firm: assessing specific policies and actions in light of moral principles

Developing of the individual employee’s ethical standard

Establishing the firm’s ethical standard
This diagram shows the importance of developing an ethical standard. Ethical standards demonstrate the principles one should live by. The moral guidelines to help us understand the nature of morality, the meaning of basic concepts, the characteristics of good morals and how moral judgments can be justified. The properties as shown in the diagram seeks to explain the properties that distinguish right actions from wrong actions. All companies need to be ethical. Unethical behavior hurts society, consumers, suppliers, workers and the general welfare system. For instance, the impact of pollution, unethical behaviors will lead to lack of trust in companies. Companies must find a way to stop the bleeding and to create incentive opportunities for consumers to reenter the market place. This development is a gradual process and takes time to regain its integrity and trustworthiness.

There is no simple way of doing things that is ethically justified for all societies. Doing the same thing in different countries may have very different ethical implications because of different background meanings and understandings. It is the idea or meaning that is important, not that any particular form of behavior. No doubt, disagreements among people from different culture will often lead to conflict and misunderstanding. Moral conflicts can be solved by recognizing spheres of moral centrality.

**International Marketing Implications**

There are important implications regarding international marketing ethics and the impact that marketing may have on different societies. International marketers should accept and tolerate differences between themselves and those they work with. Failure to accept these differences may cause difficulties down the road. Some of these missteps might be due to carelessness that don’t morally offend.

Recognizing cultural and ethical differences is that marketers must recognize their own ethnocentrism, the tendency to view one’s own culture and tradition as superior to those of others. Questions of morality and mood offense do arise. For instance, a Japanese whiskey was to be sold in the United States as “Black Nikka” until some Black Americans indicated that they found the new name to be demeaning (Ricks, 1993: 41). Also the British people resented the use of American ads featuring children and messages directed at children. They were deemed an improper way to try to influence children (Ricks, 1993: 62).

Marketers must recognize cultural and ethical differences in the international arena as part of their own ethnocentrism. Ethnocentrism is the idea to view one’s culture and traditions as superior to those of others. Ethnocentrism allows some people in others societies as acting in ways that are less faire and less moral or reputable than themselves (Messick and Bazerman, 1996).

To operate successfully in the international stage effectively and ethically marketers must be clear on what their own underlying values and norms are and the manner in which acting

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upon them can be reasonably defended when operating in other countries. This being the case, international marketers must try to be knowledgeable of the contexts in which they are operating inorder that interpretations of those values and norms are justifiable. There are many specific issues that marketers face in international markets including: gifts, bribery and corruption; and controversial products.

Marketers face an increasingly complex global issues for many business decisions. Complexity may be found in the differences in business environments within each country.

Gifts

The issue of gift in the international stage can be complicated. The ethical issue concerns when a person should give another person something of value in a business relationship, and when they should not do so. The thought or idea of “giving something of value” meaning things such as money, entertainment, various kinds of tangible assets like televisions, cars, discounts of products and services are unacceptable. It is not ethical for any business activity to be solely based on merit consideration.

The practice of gift giving differs according to whether it occurs between close friends and relatives in some type of official setting. Gifts are normally given as an expression of one’s friendship, appreciation or relationship.

In a business environment, gifts may be given for various reasons: to show esteem, to demonstrate good will, friendship, draws attention and to influence in the decision making process. Presently, international marketers are very sensitive to cry of the public to minimize gift giving to individuals and people in position of powers. Gifts can be given publicly and not privately or secretly. This will tend to take away illegality of the gift and delimit areas of trust and create expectations of future favors.

Bribery and Corruption

Bribery and corruption is illegal and unethical in the United States. International marketers face a serious problem when public officials or business people demand or expect a bribe. An ethical problem arises when bribery is used to win business and market share and to influence public officials and co-opt consumers agencies and consumer right watchdogs. Bribery may be widespread in many countries, the general response is not that it is normally right, but there seems little that can be done to stop it. It is the way things are done.19 (Donaldson and Dunfee, 1999: 226). For example, in 2005 Mosanto agreed to pay fines of $1.5 million to settle bribery charges. The Mosants had agreed to pay Indonesian officials $750,000 to get permission to sell its genetically modified seeds (permission that it ultimately did not receive.20 Also Fidelity National Financial was accused by its Taiwanese corporations of paying bribes though its Altel Information Services Subsidiary to secure software contracts worth

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around $176 million.\textsuperscript{21} Bribery and corruption can reduce the motivation, zeal and enthusiasm to set up business and enters new markets. Bribery custom officials to allow one to go through the borders in an expeditious manner, rather than being delayed in the line for hours. Recently, the CEO of an American Consulting firm was indicted on charges of bribery oil officials in Kazakhstan on behalf of Mobil Oil and other oil companies.

The US Foreign Corrupt Practices Acts was passed in 1977 and amended in 1988. It forbade bribery by US Corporations but permitted form of “grease” payments, or facilitating payments. Many countries in the world have laws against bribery, still many of these Laws are not enforced and bribery is wide spread. For example, dams-built in China have collapsed after corrupt dealings resulted in inferior materials being used to construct them. Also, buildings in Turkey have collapsed that were poorly constructed such that they could not resist even low-intensity earthquake.

Sealed Air Corporations has taken the lead to barn all payments – bribes to official to curry favor unto secure contracts. To maintain their trust and worthiness of consumers Sealed Air Corporation began to comply fully with ethical standards that “go beyond compliance with law.” A commitment of this nature was undertaken by top management as the right thing to do.

\textbf{Controversial Products}

Controversial products can take a wide variety of forms. These products can include products declared unsafe in one’s home country, but sold in another (drugs, and pesticides) products that can be used safely in one country but not in another. (Nestle baby formula). There are products that accepted in one country, but offensive in others, magazines, books, videos portraying explicit sex, criticism of religion, local culture and politics. Marketers are being accused of harming or causing offense to people in other country.

All lives are valuable but not every country has the same level of resources, the same environmental conditions, or the same cultural values. For instance, a chemical like EDB (a soil fungicide) banned in the US might ethically be used in tropical countries. Dumping dangerous products on people and countries is morally unethical. Consumers in underdeveloped countries may or may not have the knowledge and expertise to detect the risks of the products that are being sold to them. Some of these products are harmful because of the conditions in which they are used. The infant formula focusing on trying to prevent breast feeding as a better way to care for infants. The economic and physical circumstances of the new mother and infant care such that the mothers are not given adequate guidelines for the preparation of the formula. Marketers must take responsibility for the vulnerability of their consumers.

Finally, selling or dumping unwanted products in under developing countries is unethical and offensive. Products that involve sexually explicit materials or perceived religious or cultural affronts and contain a high level of violence. The marketing of these materials violate all ethical values and morals.

\textsuperscript{21} Sirte Alleges US from Paud Bribes for Chinese Contracts.” Wall Street Journal, March 21, 2005
Promoting Ethical Marketing

Apart from all the obstacles that marketers face in the global arena they must be relentless in pursuing policies to promote ethical marketing internationally. Marketers as well as consumers must recognize moral issues, they may well act unethically. Marketers must be held accountable for their actions. Promoting ethical marketing will help to develop awareness, recognition of ethical problems, and creation of an un-ethical working environment and inoculate in the minds of everybody the ethics of good marketing. This is a joint effort and collaboration of both the marketers and consumers to work together in fostering marketing ethics, it cannot be done overnight but can be done gradually.

Nature of Marketing Ethics in the Global Arena

Marketing ethics is a dimension of social responsibility that involves principles and standards that define acceptable conduct in marketing. It is a good practice for marketers to utilize their own personal values and knowledge of ethics to act responsibly and provide ethical leadership to others.

Marketers must deviate from acceptable standards but to attempt to please all constituencies including customers, employers, regulators, suppliers, and community. There is no need to create an atmosphere for customer’s dissatisfaction or lack of trust. A flood of ethical scandals have resulted in loss of confidence in the integrity of business worldwide. A great study shows that about 50 percent of US Consumers trust business today.22 Trust is very important to build a long-term relationship. High profile scandalous activities of CEO’s are constantly in the news. As a result, many consumers examine critically the conduct of all companies.

“Many consumers and social advocated believe that businesses should not only make a profit but also consider the social implications of their activities.”23

Once trust is lost, it is difficult to rebuild.

Ethical Issue in Global Marketing

An ethical issue is a problem, situation, or concern that requires an individual or organization to choose from among several options that must be evaluated as right or wrong. Marketing managers are called upon to make strategic choices based on theirs mood principles and weigh the potential ethical consequences. For instance, the girl scouts have been criticized because theirs most popular cookies – Samoas, Tagalongs, and Thin Mints – contained hydrogenated oils (trans fat). The girl scouts has compiled by labeling their cookies with zero percent trans fat but critics complained that the label is misleading.24

24 Monica ENg, (1/25/2011) “Girl Scouts Cookies and other sweets offering Comparing Labeling on Transfat” Los Angeles Times.
It is essential that marketers must be able to identify marketing and find ways to solve them. The greater the consequences associated with a marketing issue, the more likely it will be recognized as an ethical issue and the more important it will be making an ethical decision.\textsuperscript{25}

Below is an example of ethical issues relating to the marketing mix.

<table>
<thead>
<tr>
<th>Product Issue</th>
<th>Covering up defects that could cause harm to consumers; withholding critical performance information that could affect purchase decision.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Information</td>
<td></td>
</tr>
<tr>
<td>Distribution Issue</td>
<td>Counterfeit products are widespread especially in the areas of computer software, clothing, and audio and video product. The internet has facilitated the distribution of counterfeit predicts.</td>
</tr>
<tr>
<td>Counterfeiting</td>
<td></td>
</tr>
<tr>
<td>Promotional Issue</td>
<td>Deceptive advertising or withholding important product information in a personal selling situation.</td>
</tr>
<tr>
<td>Advertising</td>
<td></td>
</tr>
<tr>
<td>Pricing Issue</td>
<td>Indicating that an advertised sole price is a reduction below the regular price when in fact that is not the case.\textsuperscript{26}</td>
</tr>
<tr>
<td>Pricing</td>
<td></td>
</tr>
</tbody>
</table>

Marketing in the global arena is very dynamic. Globalization is having a dramatic impact on life in the 21\textsuperscript{st} century. We are connected in a global society glued together by free trade, global travel, immigration, communication systems and the internet. The world has become closer in this global village. To behave as ethical global citizens, companies must force and master the dangers of globalization and the dilemmas of ethical diversity. Whether a company operates domestically or access national boundaries, it can no longer avoid competitive pressure and market opportunities. Companies must be willing and ready to take advantage of excellent resources on a global basis, and at the same time face the different challenges and needs of consumers.

Globalization of markets involves developing and performing marketing activities across national boundaries. For example, Walmart has approximately 740,000 employees and operates 5, 360 stores in 27 countries worldwide, Starbucks serves more than million customers per week at more than 5,500 shops in over 50 countries.\textsuperscript{27}

Critics of globalization have spoken out about the dangers of globalization and the challenges of ethical diversity that it promotes greed rather than concern for others. Ethical and spiritual values have been put aside in favor of the profit motive the traditional cultures being destroyed in place of economic improvement and development.

The major corporations are the big winners of globalization. The less developed countries who have the raw materials are being plundered and extorted. Corporations are pursuing free trade and profits at the expense of human rights and the environment. Apart from the moral pit falls of globalization organizations face the challenges of ethical diversity.\(^{28}\)

In Mexico, honoring a contract is based on the signer’s personal ethics. No doubt, the problems posed by globalization and ethical diversity can undermine ethical decision making. Some leaders tend to impose their unethical standards on members of other cultures.

**Conclusion**

In conclusion, marketers have multiple responsibilities to theirs customers in the countries they operate. They need to foster trust and trustworthiness among themselves to build a reputable image and must be held ethically accountable in high esteem by consumers and their peers. They have an impact on the economy, social and political development of the countries they operate. This paper has presented issues that will provoke thoughts requiring constant debates and discussions.

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Citations

12. Walzer: Spheres of Justice, 6