

THE LEVELS OF MARKETING ETHICS

Laima Abromaitytė-Sereikiėnė

Department of Marketing,
Vilnius University
Saulėtekio 9, II-817
LT-10222 Vilnius, Lithuania
E-mail: labromaityte@delfi.lt

The issue of ethics in marketing continues to be a concern for marketing practitioners and researchers. Every business manager would probably agree that ethical implications are often inherent in marketing decisions. This fact has encouraged to turn to the topic of marketing ethics and to analyze the levels of marketing ethics. As an example of differences in the levels of marketing ethics in different countries, the situation in the old free market and in transition economies is compared. Because the analysis of marketing ethics adoption in the companies of transition economies still requires much research, the purposes of the paper are to present and define the levels on which decisions of marketing ethics are made by comparing the situation in transition and old free market economies, and to fill in the gap in the literature on marketing ethics in Lithuania by defining the main tendencies in the marketing ethics adaptation in this country.

To attain the objectives of the paper, it presents the development of the theory of marketing ethics and a theoretical background of the levels of marketing ethics adaptation. The levels of marketing ethics are presented in the context of motivation theories and the corporate social responsibility. The paper will also provide scenarios according to which companies meet or should meet the questions pertaining to marketing ethics in the old market and transition economies.

Key words: marketing, ethics, level, transitional economies

Introduction

The last decade witnessed a remarkable increase in the ethical concern: in old free market economies, the leading business schools have introduced courses in business ethics, increased interest in the research of marketing ethics, an increasing number of Codes of Ethics have been created and adapted. However, the situation in marketing ethics is not satisfactory in all countries. In transition countries, one of which the author of the paper represents, the problem of marketing ethics has not

yet been solved – neither at the theoretical nor at the practical level. This is the reason why the problem in this paper will be analyzed through a comparison of the situation in the companies of the so-called old free market and transition economies.

Research problem. The practical side of the problem of marketing ethics arises from the fact that in competition surroundings marketing could be used as the whole of knowledge and activity, with the purpose to realize the interests of those who have them; or it could

be used in a wider sense – also with regard to the interests of persons and organizations involved in marketing actions. Questions of marketing ethics arise in everyday life of a company. Some specialists say that a week during which one or another famous company wouldn't be charged with unethical marketing practice is rare in the Western countries. However, ethical questions are even more topical in the companies of transitional economy, which have experienced a fundamental change of values. The attitudes that were tolerated in the planned economy are unethical in the market economy. However changes in the people's mind cannot happen overnight. That is why it is natural that nowadays when the free market has already been functioning for more than a decade in all transitional countries, we still meet quite a different understanding of marketing ethics in practice and in theoretical reasoning. As the theme of marketing ethics is very wide and requires a deeper research, this paper will cover only one aspect – the levels of marketing ethics adaptation. In the author's opinion, it is one of the best aspects for comparing the situation in different countries.

Besides, there are no scientific researches on marketing ethics yet, at least in Lithuania.

The purposes of this paper are as follows:

1. To present and define the levels on which the decisions of marketing ethics are taken, by comparing the situation in companies of transition and old free market economies.
2. To fill in the gap in the literature on marketing ethics in Lithuania by defining the main tendencies in marketing ethics in this country.

In order to realize the purposes of this research, the following **methods** have been cho-

sen: review and analysis of theoretical works (Ph. Kotler, J. McCarthy, B. Schlegelmilch, G.R. Laczniak, O.C. Ferrel, P. Whysall and others), analysis and expert evaluation of secondary data, personal observations.

Structure of the paper. In order to attain the objectives of the paper, the development of theory of marketing ethics will be overviewed, the concepts of ethics, marketing ethics will be defined, the explanation will be provided what adapting ethics in marketing means, and why companies should adapt marketing ethics.

As the research showed, the biggest differences between marketing ethics in the old free market and transitional economies appeared in the understanding what marketing ethics actually is, and by which social institutions ethical / unethical decisions are made; the theoretical background on the level of marketing ethics adaptation is surveyed. The levels of marketing ethics are given in the context of two theories: A. Maslow's motivation pyramid and the pyramid of corporate social responsibility.

The levels of marketing ethics adaptation are researched by analyzing empirical data on business / marketing ethics, both in the companies of the old free market and of transitional economies. This paper will also provide scenarios according to which companies in the transition economies meet or should meet questions pertaining to marketing ethics. Since the author of the paper lives in Lithuania, the situation of transition economies is mostly based on the example of this country.

This work shouldn't be regarded as a comprehensive analysis of the levels of marketing ethics, but it could serve as a basis for further research, both in transition countries and in old free market economies.

Conception of marketing ethics

What does “adapting ethics in marketing” mean? According to the definition of marketing ethics, it means that marketing decisions should be taken according to the moral rules or principles of behaviour. However, practice shows that marketing employees do not always behave ethically; besides, ethical principles differ in various countries and, according to B. Schlegelmilch, even in different industries.

There are different definitions and approaches to the concept of marketing ethics. As O.C. Ferrel says, no one has developed a universally accepted approach for dealing with the controversial and often misunderstood concept of ethics yet, but in this paper the most common and generalized definitions will be used. According to the fact that the concepts of marketing ethics and social responsibility are often used interchangeably, both of them will be used in this paper.

“**Ethics** – moral rules or principles of behavior that should guide the members of a profession or organization and make them deal honestly and fairly with each other and with their customers” (Laczniak, 1990). “Using statistical terminology, ethics would be characterized as a latent construct, i.e. something which is not directly measurable but can be represented or measured through other variables” (Schlegelmilch, 2001).

“**Marketing ethics** – moral principles that define right and wrong behavior in marketing. The most basic ethical issues have been formalized through laws and regulations to conform to the standards of society. At the very least, marketers are expected to obey these laws and regulations. However, it is important to realize that marketing ethics go beyond legal issues” (Ferrel, 2001).

“**Ethical decision norms** reflect philoso-

phical (moral) perspectives” (Hunt and Vitell, 1986; Mayo and Marks, 1990).

“**Social responsibility** – an obligation of the organization to maximize its positive impact and to minimize its negative impact on society” (Ferrel, 2001).

The first attempts of studying the issues of marketing ethics arose while discussing the impact of marketing on the society in 1960, however, at that time researches on this topic were not numerous. Except the macro-marketing school which was classified as an interactive-economic school of thought by J.N.Sheth, D.M. Gardner, D.E. Garrett (1988), other schools of marketing theory did not pay much attention to the environment of marketing. R. Holloway underlined marketing as an activity of the society. According to him, marketing both makes influence on society and it is influenced by the same society. G. Fisk (1967), who was heavily influenced by the pioneer thinking of W. Alderson and R. Cox, described the interrelations between “the economics equalization, the strategy and mechanisms of marketing management, and the social consequences of marketing activity” (Sheth, Gardner and Garrett, 1988). R. Moyer (1972) suggested that macro-marketing issues should be studied from a social viewpoint, contrary to micromarketing issues.

The reports that appeared after 1980, especially in the last decade, were concentrated not only on the impact of marketing on the society but also on marketing ethics. O.C. Ferrel says that ethical issues typically arise because of the conflicts between individuals' personal philosophy and the marketing strategies, policies and organizational environment in which they work. Ethical issues may also stem from the conflicts between a marketer's attempts to achieve organizational objectives and customers' desires to get safe, fair and reliable

products. O.C.Ferrel groups the ethical issues to the product, promotion and distribution issues.

In the works of J.E. McCarthy, the concept of marketing ethics appears from the functioning of the whole marketing system, from the concept of macro-marketing, which is based on the understanding of social responsibility. "Macro-marketing is a social process that directs an economical flow of goods and services from producers to consumers in the way that effectively matches supply and demand and accomplishes the objectives of society" (McCarthy, 1993).

J.E. McCarthy compares the cost of micro-marketing and macro-marketing and makes the conclusion that many firms realize highly successful marketing programs, but others are still too production-oriented and inefficient. He says that macro-marketing (considering the objectives of society) does not cost too much and helps to reach more efficient results. "Consumers have assigned business the role of satisfying their needs. Customers find it satisfactory – and even desirable – to permit businesses to cater to them and even stimulate wants. As long as consumers are satisfied, macro-marketing will be permitted to continue as profit-making entities" (Perreault and McCarthy, 1999).

According to J.E. McCarthy, it is possible to presume that social responsibility and marketing ethics help to ensure the efficient work of the marketing system and a market itself. J.E. McCarthy says: "To keep our system working effectively, individual firms should implement the marketing concept in a more efficient, ethical, and socially responsible way. At the same time, we – as consumers – should consume goods and services in an intelligent and socially responsible way" (McCarthy, 1999).

So, according to J.E. McCarthy, two conclusions may be made as to why it is useful to

work with reference to marketing ethics: it guarantees a more effective activity of an enterprise (micro-level) and of the marketing system (macro-level).

According to O.C. Ferrel, adapting marketing ethics means avoiding punishments for illegal actions. "When an organization engages in unethical activities, it may not only lose sales as dissatisfied consumers refuse to deal with it, but it may also face legal action, fines and even prison for its executives" (Ferrel, 2001).

According to J. Mahoney (1994), companies' general interest in being perceived as ethical derives from one of the four motives:

1. A fashion or bandwagon effect.
2. The pressure from external interest groups.
3. The argument that ethical practices may be profitable, especially in the longer run.
4. 'Obvious ethical reply' is the right thing to do.

J. Mahoney says that it is possible to invoke more than one such a motive or a mix of motives.

J.E. McCarthy raises a question of the micro-macro dilemma, which appears from the conflicts between producers and consumers. "What is "good" for some producers and consumers may not be good for the society as a whole" [Perreault and McCarthy, 1999]. Guns and products that pollute the environment could be mentioned as an example of such cases.

Both J.E. McCarthy and Ph. Kotler raise a question of social responsibility of a consumer. However, the source is different. According to J.E. McCarthy, social responsibility of a consumer appears from the micro-macro dilemma. The consumers in a market-directed economy enjoy a great freedom of choice. But here the question appears: does it mean that a producer should submit to consumers and of-

fer them the products that they like most, even if these products harm the environment?

Ph. Kotler raises the question of social responsibility of a consumer in the concept of social marketing. "The task of an organization is to determine the needs, wants, and interests of target markets and deliver the desired satisfactions more effectively and efficiently than competitors, in a way that preserves or enhances the consumer's and the society's well-being. The concept calls upon marketers to balance three considerations: company profit, satisfaction of a consumer wants and the public interest" (Kotler, 2003).

So, as a conclusion it may be said that J.E. McCarthy ascribes the social responsibility to the consumer (if consumer does not buy, producer will not produce) and Ph. Kotler to the producer (producer should produce only socially safe products, even if consumer disagrees).

Ph. Kotler uses two theories how the issues of ethics and social responsibility should be solved. The first theory (Kotler, Armstrong, Saunders, Wong, 2003) says that the free market and legal systems solve the questions of ethics and social responsibility. The second theory, which represents a more progressive philosophy, says that responsibility for an ethical practice lies on enterprises and heads of enterprises.

Most marketers agree that business decisions should be made considering the accepted principles of right and wrong (Ferrell, Gresham, 1985). But marketing theorists and practitioners recognize that in order to have successful results the firm must cater to its customers within the context of its environment (Wind, Robertson, 1983). Some authors raise utilitarian and deontological approaches in marketing. According to them, the utilitarian approach has been already programmed in

most of the definitions of marketing. Since the very first definition of marketing the main purpose has been the satisfaction of the needs of consumers, but it does not mean that it cannot be unethical either. "Since the satisfaction of consumers' needs is the final objective of marketing, one would be inclined to believe that the dominating ethical approach is utilitarian for the most part. <...> Since the tendency in marketing is fundamentally utilitarian, one is often inclined to assume that, on this level, it is highly ethical" (Nantel and Weeks, 1996).

Overview of differences in adapting marketing ethics

Adapting marketing ethics, as mentioned above, means taking decisions according to some moral rules and principles. However, practice shows that the moral rules and principles differ in different countries, industries, enterprises, etc. Regardless of this fact, the process of decision-making in marketing ethics could be structured according to the levels at which these decisions are taken. I would say that if an ethical marketing decision is made at more levels at a time, it is more ethical.

Gene R. Laczniak, who analyzes the academic works on marketing ethics, says that only a few marketing academics have tried a moral global approach to the issue of ethics, but even these writings, taken as a whole, lack sophisticated theoretical foundations. According to G.R. Laczniak, references to ethical theories or decision rules have been normally limited to the citation of simple ethical maxims. G.R. Laczniak (1990) gives the following five ethical maxims:

1. *The golden rule:* Act in the way you would expect others to act towards you.
2. *The utilitarian principle:* Act in the way

which results in the greatest good for the greatest number.

3. *Kant's categorical imperative*: Act in such a way that the action taken under the circumstances could be a universal law or rule of behaviour.
4. *Professional ethics*: Take only the actions that would be reviewed as proper by a disinterested panel of professional colleagues.
5. *A TV test*: A manager should always ask: "Would I feel comfortable explaining to a national TV audience why I took this action?"

D.B. Tinsley forms rules by the same principles as G.R. Laczniak, but gives only three ethical rules: Gold, Silver and Open Forum. According to him, the Golden Rule leads marketers towards the goal of satisfying the customer's needs in the ways that are better than those of their competitors. The Silver Rule reminds marketers of ethical concerns about the injuries that go beyond legal baselines, including psychological injuries. The Open Forum Rule, popularly known as the Television Rule, cautions marketers not to do anything they cannot explain satisfactorily on television to the concerned stakeholders (Tinsley, 2003).

T.W. Dunfee, N.C. Smith, W.T. Ross (1999) explored the real potential that the social contract theory has for the field of marketing ethics. They made a conclusion that social contract theory provides a core set of principles – hyper norms – which may be used to specify the line of moral minimum that no marketing practitioner should ever cross. They offered such hyper norms:

- People should be treated with dignity and respect in all marketing transactions.
- Promises should be kept.

- A deception of any sort in marketing transactions or marketing research is wrong unless a substantial justification convincing to the membership of all relevant communities is possible.
- Property rights, including intellectual property, consistent with widespread views of the nature of property should be respected.
- Bribery of officials who exchange substantial public sector assets for personal gain is wrong.

J.E. McCarthy says that in most countries minimal ethical standards are merely defined by laws. "A marketing manager does not face an ethical dilemma about complying with the laws and regulations. Whether a marketer is operating in his or her own country, or in a foreign nation, the legal environment sets the minimal standards of ethical behavior as defined by a society" (Perreault, McCarthy, 1990).

According to O.C. Ferrel, three factors influence the ethical decision-making process: individual factors, organizational relationship and opportunity (Fig. 1).

As is shown in Fig. 1, individual factors mean that individuals substantiate their decisions on their own concepts of right and wrong and act according to their daily lives. "An organizational or corporate culture can be defined as a set of values, beliefs, goals, norms, and rituals that the members or employees of an organization share. The culture of a company may be expressed formally through work habits, dress codes, extra-curricular activities and anecdotes. The culture of an organization gives its members meaning and suggests rules for behaviour and deal with problems within an organization" (Ferrel, 2001). An opportunity could be described as a favourable set of

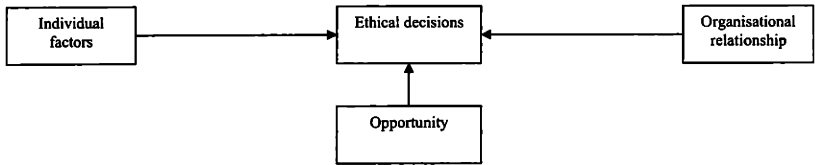


Fig. 1. Factors that influence the ethical decision-making process (Ferrel, 2001)

the conditions that limit barriers or provide rewards. This means that the decisions at marketing ethics are made on two levels: individual and organizational, however, opportunity is more or less uncontrolled.

A. B. Carroll (1978) categorizes moral pressures into five different levels:

1. An individual level is concerned with personal ethical codes.
2. An organizational level maps out corporate procedures, policies and codes of ethics.
3. An associational level refers to professional guidelines and codes of conduct.
4. A societal level is concerned with the laws, cultures, and traditions which determine the acceptability of actions.
5. An international level focuses on the laws, customs and norms of foreign countries.

As is known, a business transaction between a buyer and a seller requires the participation of at least two parties, and each of the-

se parties has something which the other party desires. However, according to B. Schlegelmilch, every decision is also subject to organizational, personal, and macro-ethical considerations. The ethical compatibility between the two parties is the central factor which affects the trust between the buyer and the seller (Fig. 2). However, according to B. Schlegelmilch, acting "ethically", especially in the short run, may hurt the profit of a company.

Looking at the levels of adapting ethics in marketing, A. B. Carroll's classification seems to be most generalized and exhaustive. However, I think that his classification could be improved on the basis of G. R. Laczniak's, O.C. Ferrel's, Schlegelmilch's, J.E. McCarthy's and my own observations. I suggest to group the decisions of marketing ethics into five levels (Fig. 3):

1. Individual level concerned with personal moral principles.
2. Legitimate level concerned with the moral rules expressed in the laws of a state.
3. Organizational level concerned with the

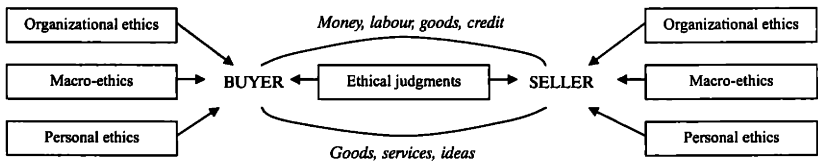


Fig. 2. Ethical dimensions of relationship exchange between buyer and seller (Schlegelmilch, 2001)

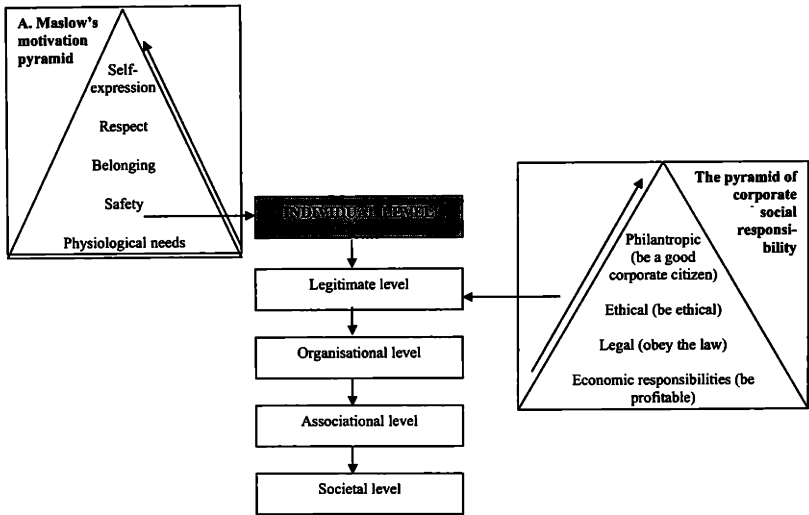


Fig.3. Levels of marketing ethics

moral principles of organizations. These moral principles are normally expressed in corporate procedures, policies and codes of ethics.

4. Associational level referring professional guidelines and codes of conduct.
5. Societal level concerned with the cultures and traditions that determine the acceptability of actions.

Whether an ethical / unethical decision is made depends mostly on the individual level. Personal moral principles stimulate ethical / unethical decisions regardless of the level of a country or a society. I suggest that ethical / unethical decision making in marketing depends on the motivation level on which a person is (Fig. 3 – A. Maslow's motivation pyramid). A. Maslow's motivation pyramid is used here because of its spreading. A lower level means less ethical decisions. If part of people

fight for richer life because of a low living level, their scale of value is lower in most cases. If physiological needs are not satisfied, ethical decisions will not be normally made.

Personal moral principles also stimulate ethical decisions in organizations, corporate procedures, policies and codes of ethics that appeared as a response to the growth of ethical concerns and compliance with them. But it is possible only when a company works profitably (Fig. 3 – The pyramid of corporate social responsibility (Ferrel, 2001)). If the social responsibility of a company is on a higher level, more ethical decisions will be made. According to P. Whysall, while the codes of conduct are a feature of professions in general (Harris 1989, 1994), they are not universal as they might seem. That is why the codes become particularly problematical in an international context, where, on the one hand, there is a risk of a kind of

“ethical imperialism”, if a marketer appears to be exporting his home society’s values into a foreign culture, yet conversely faces the risk of relativism in ethics on the other hand, where no basic norms, values and standards are enforced (Whysall, 2001).

Analysis of marketing ethics levels on the examples of companies of old market and transitional economies

Transitional economies could be described as the countries that earlier belonged to the Soviet Union or were subjected to the Soviet experiment which included centrally planned economy. A change occurred in the political regime, which now plays according to the rules of democracy and free market and is rather fast in adopting the path of democracy, science and economic progress. Meanwhile, the phenomenon of a chasing outsider can still be witnessed in these countries (Pranulis, 2003). The case of transitional economies in this paper is mostly based on the example of Lithuania.

Old free market economies could be described as the countries that have lived according to the rules of free market for more than 50 years. In this paper these economies will be also called Western economies.

According to J.E. McCarthy, each individual develops the moral standards that guide marketing decisions and actions. That helps explain why opinions about what is right or wrong often vary from one person to another, from one society to another, and among different groups within a society. The Soviet period, which lasted for about 50 years in the 20th century, was the time which part of Europe had to live through and which left a deep imprint in the political and economical life as well as in the way of thinking. In the transitional

period the orientations of people have been changing from dictatorship to democracy, from planned economy to market economy. However, this is not happening offhand. The heritage of the past took concrete forms in decision-making, communication, conveying of values, behaviour, management of property, etc.

Corruption could be taken as an example to clarify the differences between old market and transitional economies. Valuable presents which help in solving business problems are not tolerated in most European countries, the USA, but there are countries where valuable gifts are treated as a respect and a favour – they could be given and accepted officially. In transitional economies, valuable presents and bribes are not tolerated officially, but they are quite widespread because of the Soviet heritage, where corruption was common practice. Transparency International data show that perception of corruption in transitional countries is more than half as high as in old free market countries. A comparison of Corruption Perception Index (CPI) is given as an example relating to the perception of the degree of corruption as seen by business people, academics and risk analysts, and ranges between 10 (highly clean) and 0 (highly corrupt) (Table 1).

Since for several decades the problem of marketing ethics in the Western countries has been analyzed more often than in transitional economies, there were more theoretical and practical researches in marketing ethics. One of the most interesting researches was made by L. B. Chonko and S. D. Hunt (1985) who examined just over 1,000 questionnaires designed on the ethics field, gathered from the members of the American Marketing Association. Besides, the Corruption Perception Index in the USA is similar to the data given by CPI of Western Europe (7.5:8.72 in 2004, [22]).

Table 1. Corruption Perception Index, 2003–2004 [22]

Countries	Average Corruption Perception Index (2003)	Average Corruption Perception Index (2004)
Western Europe Countries (an old market economy): Finland, Iceland, Denmark, Sweden, the Netherlands, Norway, Switzerland, Luxembourg, the United Kingdom, Austria, Germany, Belgium, Ireland, France, Spain, Portugal, Cyprus, Italy, Greece	7.84	8.72
Transitional economy countries: Slovenia, Estonia, Hungary, Lithuania, Bulgaria, the Czech Republic, Latvia, Croatia, Slovakia, Poland, Bosnia & Herzegovina, Armenia, Romania, Russia, Kazakhstan, Moldova, Uzbekistan, Macedonia, Serbia & Montenegro, the Ukraine, Kyrgyzstan, Azerbaijan, Georgia, Tajikistan	3.2	3.29

L. B. Chonko and S. D. Hunt came to six principal conclusions:

1. Bribery was the most frequently mentioned ethical problem faced by the sample of marketers, followed by the issues of fairness, honesty, pricing strategy and personnel decisions.
2. The main ethical conflict for marketing managers was resolving the demands of the corporation with customer needs, although eleven other conflicts were identified.
3. Marketing managers perceived many opportunities to act unethically in their work, but reported few instances of the managers engaged in unethical behaviour.
4. Ethical problems of marketing managers were reduced when the top management was seen to be strong in reprimanding unethical behaviour.
5. The corporate or industry codes of ethics appeared to be unrelated to the extent of ethical problems encountered by marketing managers.

In transitional economies, the individual level in making an ethical / unethical marketing

decision is mostly influenced by the heritage of the past, reflected in the way of thinking and a lower living level than in old free market economies; as a result, people tolerate corruption far more (Table 1), implying that they possibly tolerate also other unethical marketing decisions.

There has been no research work on the marketing ethics in the transitional countries. Therefore, marketing ethics can be viewed within wider contexts of a growing concern for business ethics in general (Whysall, 2000). The research in business ethics used in this publication, I would say, shows the main tendencies in marketing ethics also.

A. Paulavičiūtė questioned the point of view of Lithuanian businessmen experienced in international business about ethical / unethical decisions in everyday business life. The results of questioning show that in most cases business ethics norms are trespassed for two reasons: not knowing business ethics and not acknowledging business ethics (Table 2). Nevertheless, businessmen acknowledge that in most cases business ethics in Lithuania is violated because of a person's moral degradation.

Table 2. The reasons of unethical business decisions in Lithuania (Paulavičiūtė, 2004)

Sort of business	Reasons why business ethics is trespassed		
	Not knowing business ethics	Not acknowledging business ethics	Other
Production	34.6	50.0	15.4
Trade	46.3	39.0	14.7
Service	45.7	38.6	15.7

According to A.Paulavičiūtė, the understanding of business ethics in Lithuania is restricted. The biggest part of translated literature on business ethics is oriented rather to etiquette, without giving the whole context of business ethics. “That is why in most cases Lithuanian businessmen link the concept of business ethics with etiquette, without paying attention to the whole complex of ethics, rights and responsibility of an individual, relations between the business world and the environment” (Paulavičiūtė, 2004). According to the questioning, businessmen outline five factors as those most strongly influencing ethics. They are as follows: the development of economy (29.6% respondents), the cultural level of the country (27.3%), the moral principles of society (24.3%), traditions (10.1%), customs (4.9%). A.Paulavičiūtė says that a correlation between economic wealth and morality is imprinted in subconsciousness: the worse the economical situation, the less ethical business. “The opinion of businessmen shows that business ethics is an objective, a historically determined phenomenon to them, which little depends on the wishes of a separate individual. Or an obvious wish not to identify himself, one’s own business ethics with the existing situation in business ethics” (Perreault and McCarthy, 1999). But the answers to the question “why business should be done according to the principles of business ethics?” sound optimistically: according to A.Paulavičiūtė, they

show a professional maturity, the understanding that the business perspective is more important than a quick but short-term profit. The following main reasons why business should be done ethically have been indicated: the need of common rules of the game (37% of respondents), the possibility to get a bigger profit (24.5%), caring about of the positive image of Lithuania (14.1%).

The above studies show that unethical marketing actions exist both in Western and transitional economies. There are various kinds of unethical marketing actions, but this paper involves the most characteristic ones (Table 3).

Results and interpretation of analysis

A comparison of the marketing scenarios which raise ethical questions in old market economies and transitional economies (Table 3) allows to conclude that an unethical behaviour exists in both old free market and transitional economies, but in the Western countries violations of marketing ethics are more delicate and hard to identify. Meanwhile, in transitional countries the violations are more primitive and easier to identify. Most of such violations are normally made by the companies that have no long-term strategy and their only aim is to make a quick profit. Rather a big part of the companies defy the law in order to get a quick profit. The level of corruption and resignation, reverence of clients

Table 3. Marketing scenarios which raise ethical questions

Companies in the countries of old market economy (Laczniak, 1990)	Companies in transitional economy (Lithuania)
<p>SCENARIO 1 The Thrifty Supermarket Chain has 12 stores in the city of Gotham, U.S.A. The policy of the company is to maintain the same prices for all items at all stores. However, the distribution manager intentionally sends the poorest cuts of meat and the lowest quality products to the store located in the low-income section of the town. He justifies the action based on the fact that this store has the highest overhead due to the factors such as the employee turnover, pilferage, and vandalism. <i>Is the distribution manager's economic rationale a sufficient justification for his allocation method?</i></p>	<p>SCENARIO 1 In 2004 the beginning of summer was comparably cold in Lithuania and the local producers could not produce and sell garden strawberries – they were not ready. But there were a lot of places where “Lithuanian garden strawberries” were in the market at the same time. The truth is that these strawberries were really imported from Poland. <i>Is it ethical to deceive clients telling a lie about the derivation of berries when it is known that berries in Poland are grown using much more chemicals than in Lithuania?</i></p>
<p>SCENARIO 2 The Independent Chevy Dealers of Metropolis, U.S.A. have undertaken an advertising campaign headlined by the slogan: “Is your family's life worth 45 MPG?” The ads admit that while Chevy subcompacts are not as fuel efficient as foreign imports and cost more to maintain, they are safer according to government-sponsored crash tests. The ads implicitly ask if responsible parents, when purchasing a car, should trade off fuel efficiency for safety? <i>Is it ethical for the dealers association to use a fear appeal to offset an economic disadvantage?</i></p>	<p>SCENARIO 2 In 2004 “VP Market”, which owns the biggest net of retail shops in the Baltic States, decided not to buy the production of “Philip Morris Lietuva” through an intermediary and to do it directly from the producer. The strategy of “Philip Morris Lietuva” is to sell production through an intermediary who, besides selling the production, organizes its marketing in a particular region. In spite of that, “Philip Morris Lietuva” agreed with the requirements of “VP Market”. <i>Is it ethical to “VP Market”, being the biggest net of retail shops in the Baltic States, to refuse to buy “Philip Morris Lietuva” production through an intermediary and to require buying directly from the producer when the strategy of “Philip Morris Lietuva” is different?</i></p>
<p>SCENARIO 3 A few recent studies have linked the presence of the artificial sweetener, subsgural, to cancer in laboratory rats. While the validity of these findings has been hotly debated by medical experts, the Food and Drug Administration has ordered products containing the ingredient banned from sale in the U.S. The Jones Company sends all of its sugar-free J.C. Cola (which contains subsgural) to European supermarkets because the sweetener has not been banned there. <i>Is it acceptable for the Jones Company to send an arguably unsafe product to another market without waiting for further evidence?</i></p>	<p>SCENARIO 3 The executive of the group of enterprises “Rubicon Group” was suspected of bribing some members of Lithuanian Parliament with the purpose to get a favorable law. Although these charges were denied in the court, the low Corruption Perception Index and a research of Transparency International Lithuanian Department (Lithuanian Corruption Map 2004) allow a presumption that Lithuanian businessmen bribe politicians and institutions. <i>Is it ethical for businessmen to bribe politicians?</i></p>

Companies in the countries of old market economy (Lacznia, 1990)	Companies in transitional economy (Lithuania)
<p><u>SCENARIO 4</u></p> <p>The Acme company sells industrial supplies through its own sales force, which calls on company purchasing agents. Acme has found that providing the purchasing agent with small gifts helps cement cordial relationships and creates goodwill. Acme follows the policy that the bigger the order, the bigger the gift to the purchasing agent. The gifts range from a pair of tickets to a sporting event to outboard motors and snowmobiles. Acme does not give gifts to the personnel at the companies which they know to have an explicit policy prohibiting the acceptance of such gifts. <i>Assuming no laws are violated, is Acme's policy of providing gifts to purchasing agents morally proper?</i></p>	<p><u>SCENARIO 4</u></p> <p>In 2001, the company "Select" which distributes catalogues offering to buy goods by mail was warned by Lithuanian Council of Competition because of misleading advertising in the catalogue. <i>Is it ethical for the company "Select" to raise sales by using misleading information?</i></p>
<p><u>SCENARIO 5</u></p> <p>The Buy American Electronics Company has been selling its highly rated System X Color TV sets (21", 19", 12") for \$700, \$500, \$300 respectively. These prices had been relatively uncompetitive in the market. After some study, Buy American substitutes several cheaper components (which engineering says may reduce the quality of performance slightly) and passes on the savings that consumer has in the form of a \$100 price reduction on each model. Buy American institutes a price-oriented promotional campaign which neglects to mention that the second generation System X sets are different from the first. <i>Is the company's competitive strategy ethical?</i></p>	<p><u>SCENARIO 5</u></p> <p>Some small company "X" sells different fruit and vegetables. The window-case of such a company is normally full of perfect products. But when a shop-assistant weighs some fruit and vegetables for a client, later this client rather often finds out that he bought a mix of perfect and rotten fruit and vegetables. Such cases are more or less frequent in small Lithuanian companies or are proper to those who work with patients. <i>Is it ethical for company "X" to cheat a client by selling rotten production when high quality production is shown in the window-case?</i></p>
<p><u>SCENARIO 6</u></p> <p>The Smith and Smith Advertising Agency has been struggling financially. Mr. Smith is approached by the representative of a small South American country which is on good terms with the U.S. Department of State. He wants S and S to create a multimillion dollar advertising and public relations campaign which will booster the image of the country and increase the likelihood that it will receive U.S. foreign aid assistance and attract investment capital. Smith knows the country is a dictatorship which has been accused of numerous human rights violations. <i>Is it ethical for the Smith and Smith Agency to undertake the proposed campaign?</i></p>	<p><u>SCENARIO 6</u></p> <p>The company "Aviabtika" was suspected in trade with the countries that support terrorism. It was suspected that "Aviabtika" sold parts of helicopters and airlines through Russia to Sudan. The European Union and United Nations applied trade sanctions to Sudan. It has not been proven yet that the Lithuanian company had sold these parts to Sudan, but it is proven that it was done between Russia, which is also a transitional country, and Sudan. <i>Is it ethical to trade with a country to which the European Union and United Nations apply trade sanctions because of supporting terrorism?</i></p>

favour the activity of such companies. Part of people, especially older ones, still not realize that in market economy a client is the person who is always right and has certain rights. Part of them resign to seller's swindle; it is a trace of the Soviet period. Besides, as J.E. McCarthy says, in most countries minimal ethical standards are merely defined by laws, but practice shows that maximal ethical standards are defined by laws in transitional countries.

According to Ph. Kotler, a week during which one or another famous company would not be charged with unethical marketing practice is rare. I would say that in transitional economies a week during which a famous company would be charged with unethical practice is rare, because discussions about ethics and ethical or unethical practice are rare. In spite of the fact that unethical practice is more delicate in the Western countries, unethical actions are more often discussed there than in transitional countries.

Analysis of secondary data shows that the situation with understanding and practicing business ethics (marketing ethics included) is more or less similar in all transitional economies. The situation is better in the enterprises that are part of multinational companies functioning under the rules of their parent organizations outside the country. Unfortunately, such multinational companies sometimes also partake in an unethical business. Ph. Kotler says that such companies in some cases bribe state officers if it is useful for the company (for example, profitable contracts). In spite of this fact, such companies and progressive local capital companies, which are only a small part of all transitional economies' companies, could be a well-chosen sample of ethics in marketing. Their moral principles are expressed in corporate procedures, policies and codes of ethics; they work according to these codes. It

is notable that companies do not adopt marketing ethics because of the necessity of common rules, bigger profit and the positive image of a country or a company, but also because of the welfare of the society. For example, the 1st of June – an International Day of Children's Protection – has become a business festival in Lithuania when companies arrange concerts, deliver gifts, give prominence to children. But there are also a lot of cases when such actions are made only as part of public relations, without taking responsibility for other acts of the company.

Summing up, although in the Western countries the Corruption Perception Index is twice higher than in transitional countries, the corruption level remains to be the greatest problem in marketing and business ethics in all these countries. However, old free market economies do not ask what business or marketing ethics is, while in some cases transitional countries do it, and sometimes "ethics" is confused with "etiquette". However, the present research shows that the ethical problems of marketing managers are reduced when the top management is strong in reprimanding unethical behaviour. This, I would say, holds true in companies of both Western and transitional economies.

In spite of the fact that the standards of ethics leave much to be desired both in transitional and old free market economies, I think that the process of making an ethical / unethical decision in the Western countries is based on a societal level (Fig. 3), because these countries, regardless of all ethical problems, have ethical principles integrated in their culture and the traditions that determine the acceptability of actions, even if not all companies have the codes of ethics. Analysis shows that transitional countries are on the individual and legitimate levels. These countries still lag be-

hind in moral principles on the individual level, nevertheless, minimal ethical standards have been legitimated there, and part of companies have adapted ethical principles at the organizational level; it has been started to establish organizations which supervise the implementation of standards in business ethics (in Lithuania the first supervision association was established in June 2004 in COBE). Thus, in transitional economies the adaptation of marketing ethics is in progress.

Conclusions

Unethical marketing decisions still remain a great unsolved problem in the world. However, the practice of the Western countries shows that less unethical decisions in marketing are possible in everyday business life. Companies of transition economies are also making progress in marketing ethics because of moving towards the free market economy and changes in the way of thinking, but the differences between old free market countries and transition countries are still considerable. This conclusion is based on the analysis of the levels on which decisions of marketing ethics are made in the companies of both transition and old free market economies. The conclusions of this paper are as follows:

1. Decisions of marketing ethics are taken on five levels: individual, legitimate, organizational, associational, and societal.
2. In most countries the minimal ethical standards are defined by laws. How-

ever, in transition countries maximal ethical standards are defined by laws.

3. Ethical / unethical marketing-decision making depends on the motivation level of a person. A lower level means less ethical decisions.
4. In organizations, making ethical / unethical marketing decisions depends on the level of social responsibility of the organization. The higher the level of social responsibility in the company, the more ethical decisions are made.
5. In transition countries, the understanding of business ethics (marketing ethics included) is restricted).
6. Enterprises that are part of multinational companies functioning according to the rules of their organizations outside a transition country make more ethical marketing decisions than do local companies.
7. Western countries are on the societal ethical/unethical decision-making level, transition countries being on the individual and legitimate levels.
8. Although in transition countries some companies make ethical / unethical decisions at the association level, cases of violating the law, which normally defines the minimal standards of ethics, are frequent. Violations of the law are not punished, and in some cases they are tolerated because of the high level of corruption.

REFERENCES

1. Batory, S.S., Neese, W., Batory, A.H. (2005), Ethical Marketing Practices: An Investigation of Antecedents, Innovativeness and Business Performance, *The Journal of American Academy of Business*, Number 2, pp. 135–142.

2. Craig, C.S., Douglas, S.P. (2000), *International Marketing Research*. – John Wiley & Sons.

3. Dunfee, Th.W., Smith, N.C., Ross W.T. (1999), Social contracts and marketing ethics, *Journal of Marketing*, Jul. 99, Vol. 63, pp. 14–32.

4. Ferrel, O.C. (2001), Marketing ethics and social responsibility', in S.Dibb, L.Simkin, W.M.Pride, O.C.Ferrel (ed.) *Marketing: Concepts & Strategies*, Houghton Mifflin: Boston, pp. 755–779.
5. Kotler, Ph. (2003) *Marketing Management*. 11th ed. USA, Prentice Hall.
6. Kotler, Ph., Armstrong, G., Saunders, J., Wong, V. (2003) *Rinkodaros principai*. Kaunas, Poligrafija ir informatika.
7. Laczniak, G.R. (1990), Framework for analyzing marketing ethics, in B.M. Enis, K.K. Cox, M.P. Mokwa (ed.) *Marketing classics: a Selection of Influential Articles*, Prentice-Hall, pp. 66–80.
8. Laczniak, G.R. (1993), Marketing ethics: onward toward greater expectations, *Journal of Public Policy & Marketing*, Vol. 12 (1), pp. 91–96.
9. *Longman Business English Dictionary* (2000). Person Education Limited.
10. McCarthy, E.J. (1993), *Basic Marketing: a Global Managerial Approach*.
11. Nantel, J., Weeks, A.W. (1996), Marketing ethics: is there more to it than the utilitarian approach? *European Journal of Marketing*, Vol. 30, No. 5, pp. 9–19.
12. Paulavičiūtė, A. (2004), *Verslo etikos būklė Lietuvoje*. Vilnius, Ciklonas.
13. Perreault, W.D., McCarthy, E.J. (1999), *Basic Marketing: a Global Managerial Approach*. A Division of The McGraw Hill Companies.
14. Pranulis, V. (2003) Editorial, *Transformations In Business & Economics*, Vol. 2, No.1(3), pp. 16–17.
15. Pranulis, V., Pajuodis, A., Urbonavičius, S., Viršilaitė, R. (1999) *Marketingas*. Vilnius, The Baltic Press.
16. Pranulis, V., Abromaityte-Sereikiene, L. (2003), Marketingo teorijos raida ir interpretacijos, *Ekonomika*, Vol. 64, pp. 116–132.
17. Schlegelmich, B. (2001), *Marketing Ethics: An International Perspective*. UK, Thomson Learning.
18. Sheth, J.N., Gardner, D.M., Garrett, D.E. (1988) *Marketing Theory: Evolution and Evaluation*. New York: John Wiley & Sons.
19. Swenson, M.J., Geurts M.D. (1992), Theoretical perspectives on marketing ethics with implications for managing the global sales forces, *International Review of Retail, Distribution & Consumer Research*, Jul. 92, Vol. 2, Issue 3, pp. 329–342.
20. Tinsley, D.B. (2003), Ethics can be gauged by three key rules, *Marketing News*, Vol. 37, Issue 18: p. 24.
21. Whysall, P. (2000), Marketing ethics – an overview', *The Marketing Review*, 1, pp. 175–195.
22. www.transparency.org.

MARKETINGO ETIKOS TAIKymo LYGMENYS

Laima Abromaitytė-Sereikienė

Santrauka

Analizuojant marketingo etikos taikymo atvejus pastebimi tam tikri dėsningumai gali būti apibrėžti kaip marketingo etikos taikymo lygmenys. Ypač šie skirtumai dideli pereinamojo laikotarpio valstybėse, o tokia yra Lietuva, ir vadinamosiose Vakarų šalyse, kur rinkos ekonomika egzistuoja palyginti ilgai. Šio darbo tikslas – apibrėžti marketingo etikos taikymo lygmenis lyginant pereinamojo laikotarpio ir senosiose rinkos ekonomikos šalių situacijas, taip pat užpildyti mokslinės literatūros marketingo etikos tematika Lietuvoje spragą.

Tai, ar priimant sprendimą bus remiamasi etikos nuostatomis, priklauso nuo kelių veiksnių: individualių, santykių organizacijoje, galimybių. Asmuo, turėdamas aukštą moralės ir etikos nuostatą, ne visada gali priimti etišką sprendimą, jei tokių nuostatų nesilaikoma įmonėje, nesusidaro tinkamų sąlygų. Ir atvirkščiai – jei įmonėje laikomasi aukštų etikos normų,

o individo etinės nuostatos yra žemesnės, mažiau bus priimama etiškų sprendimų.

Analizuojant marketingo sprendimo priėmimo procesą etiškumo požiūriu, galima skirti penkis lygmenis, kai priimami etiški arba neetiški marketingo sprendimai:

1. individualusis,
2. legitymusis,
3. organizacinis,
4. asociacijų,
5. visuomeninis.

Juo toliau visuomenė ar paskiras asmuo pažengęs, tuo, pažymėtina, aukštesniu lygmeniu priimami etiniai / neetiniai sprendimai. Kitaip – aukštesnis lygmuo reiškia daugiau etinių sprendimų. Kadangi priimamo sprendimo kokybė priklauso ir nuo asmens, ir nuo įmonės nuostatų, etinių sprendimų priėmimo pro-

cesą geriausiai parodo modelis, sudarytas iš etikos taikymo lygmenų, A. Maslow motyvacijos piramidės ir Korporacinės socialinės atsakomybės piramidės. Jis rodo, kokius poreikius patenkinus, individo ar įmonės lygmeniu atsiranda etiški sprendimai. Įmonės pozicijai, ji pradeda priimti etiškus sprendimus, kai dirba pelningai ir vykdydama veiklą laikosi įstatymų nuostatų. Individo pozicijai, asmuo pradeda priimti etiškus sprendimus tik patenkinęs fiziologinius poreikius. Juo aukštesniame motyvacijos lygmenyje asmuo, tuo daugiau etiškų sprendimų jis priima. Senosios rinkos ekonomikos šalyse etiškus / neetiškus sprendimus dažniausiai priima visuomeniniu lygmeniu, o pereinamosios šalys – individualiu arba legitymiu lygmenimis.

Daugumoje senųjų rinkos ekonomikos šalių minimalios etinės normos įteisintos įstatymais, o pereinamosios ekonomikos šalyse įstatymuose įteisintos maksimalios etinės normos. Tą įrodo ir korupcijos, kaip neetiško elgesio pavyzdžio, palyginimas. Be to, pereinamosios ekonomikos šalyse vis dar vyrauja ribotas etiško elgesio suvokimas, neretai verslininkai painioja sąvokas „etika“ ir „etiketas“. Tačiau įmonės, veikiančios kaip tarptautinių įmonių dalis, priima daugiau etiškų sprendimų nei vietos kapitalo bendrovės.

Nors kai kurios įmonės pereinamosios ekonomikos šalyse sprendimus priima asociacijų lygmenyje, vis dar gausu įstatymų pažeidimų, o už juos nebaudžiami dėl didelės korupcijos. Nors situacija senosios ekonomikos šalyse dėl etiškų sprendimų priėmimo vykdančiam marketingą yra geresnė nei pereinamosios ekonomikos valstybėse, marketingo etikos problema išlieka aktuali ir nagrinėtina abiejų tipų šalyse.

Įteikta 2005 m. birželio mėn.