Ethics and Corporate Social Responsibility for Marketing in the Global Marketplace

Georges Enderle and Patrick E. Murphy

Introduction

This essay explores the relevance of ethics and corporate responsibility for marketing in the global marketplace. Structured into four chapters, it first presents the emergence of ethics and corporate social responsibility during the last 20 years. It then undertakes to clarify key ethical concepts of morality, ethics, responsibility, and marketing ethics. Subsequently, the context of ‘the global marketplace’ is characterized as a field of applied ethics with its implications for marketing ethics. To conclude, evolving perspectives are delineated for marketing ethics in the global arena.

1. Emergence of Ethics and CSR in the Global Marketplace

In the 1980s we hardly could have predicted the explosive growth and rising ethical expectations and initiatives regarding business behavior that have emerged worldwide over the past two decades. Of course, this does not mean that these expectations were consistent, nor met, and that all these initiatives were well designed and successful. Nevertheless, despite the mixed record, the emergence of ethics and corporate social responsibility as a prerequisite in the global marketplace is a recognized phenomenon. In this chapter we first explore a multitude of forms of ethics and CSR broadly defined that have emerged globally and in different countries and regions. We then ask for the underlying arguments which may have driven those multiple expectations and initiatives. To conclude this chapter, we try to elucidate several views about ethics in general that seem to steer the assessment of those phenomena.
1.1 Multiple Forms in Different Countries, Regions, and Worldwide

*Sustainability*

In 1987 the World Commission on Environment and Development published its report *Our Common Future* (WCED, 1987) and offered a fairly precise definition of ‘sustainability,’ namely ‘to meet the needs of the present without compromising the ability of future generations to meet their own needs’ (p. 8). In other words, we have to think and act today in terms of intergenerational ethics so that our children and grandchildren will have at least the same conditions we enjoy, to live their own lives. This definition was also adopted by the United Nations Conference on Environment and Development in 1992 in Rio de Janeiro, Brazil, and has been playing a guiding role ever since in dealing with issues such as the depletion of the ozone layer, biodiversity, and global climate change.

In the business sector, the World Business Council on Sustainable Development (WBCSD) has taken multiple initiatives to advance environmental awareness and promote business conduct that is sustainable as defined above. This notion of sustainability, which is a goal for the society as a whole, should not be confused, as WBCSD states, with ‘eco-efficiency’ that denotes both economic and ecological efficiency (Schmidheiny *et al.*, 1996: 17). It also clearly differs from many other usages of the term sustainability, for example in ‘sustainable profit’ or ‘sustainable business,’ which often means merely for the long haul without environmental qualifications. Rather, the commitment to sustainable development includes economic growth, ecological balance, and social equity. Over the years WBCSD has grown to a powerful organization (see www.wbcsd.org) and documented in a number of publications how business can operate in a genuinely sustainable manner: *Changing Course. A Global Perspective on Development and the Environment* (Schmidheiny, 1992); *Financing Change. The Financial Community, Eco-Efficiency, and Sustainability* (Schmidheiny *et al.*, 1996); *Eco-Efficiency. The Business Link to Sustainable Development* (DeSimone *et al.*, 2000); *Walking the Talk. The Business Case for Sustainable Development* (Holliday *et al.* 2002).
Compared to the late 1980s, it seems fair to say that the challenge of sustainability is now recognized by far more people and businesses. To illustrate this change, the worldwide dissemination of the ‘Equator Principles’ since 2005, an industry approach for financial institutions in determining, assessing and managing environmental and social risk in project financing (www.equator-principles.com); and the Award for Sustainable Banking (2008 in its third year) sponsored by the Financial Times and IFC, the private sector arm of the World Bank Group (Financial Times, Special Report, June 7, 2007) deserve mention. It should also be noted that the pressing need for sustainability has increased dramatically and the degree of recognition and taking action varies a great deal among countries and populations.

**Corruption**

Corruption is another issue that was widely underestimated in the 1980s and has then turned out to be a serious problem in developing and developed countries. While the United States, in the aftermath of the Lockheed and other scandals, enacted the Foreign Corrupt Practices Act in 1977 and amended it in 1988 (Alpern, 2005), it took the OECD another decade to set up the OECD Anti-Bribery Convention (1997) that had to be incorporated into national legislation. As of February 2008, 37 countries ratified the Convention (see www.oecd.org). Because the World Bank was not ready to tackle corruption head-on in the early 1990s, in 1991 a senior officer, Dr. Peter Eigen, left the Bank and founded Transparency International (TI), a nongovernmental organization with the mission to fight corruption. It is headquartered in Berlin because corruption should be considered primarily a challenge for developed countries. TI has become a very influential NGO with more than 90 national chapters and issued numerous publications, in particular the annual Global Corruption Report, the Corruption Perception Index and Bribe Payers Index (see www.transparency.org). In the last few years, corruption has become a major concern for the World Bank too. (The search result for ‘corruption’ under the World Bank’s Data & Research shows about 8860 references as of February 27, 2008.)

There is a vast literature on corruption and bribery, several features of which might be highlighted in the following. A first set of publications deals with conceptual

**Human Rights**

A third area of emerging concern relates to the responsibilities of companies with respect to human rights. Traditionally, it was up to specific countries to make sure that the human rights codified in international declarations and conventions were incorporated into national laws and enforced by national governments. However, in the process of globalization the relationships between government, business, and civil society have changed considerably. The power of multinational corporations has increased dramatically. Nongovernmental organizations have multiplied, become more vocal and applied more pressure. And governments in many countries are or have become weak. Therefore, the responsibility of business has changed, as stated in the report of the United Nations High Commissioner for Human Rights:

Business, like all actors in society, has to operate in a responsible manner, including through respecting human rights. Business has an enormous potential to provide an enabling environment for the enjoyment of human rights through investment, employment creation and the stimulation of economic growth. Its activities have also threatened human rights in some situations and individual companies have been complicit in human rights violations. (Quoted in Chandler, 2005: 39)
In order to better understand the nature and scope of business responsibilities with regard to human rights, John Ruggie was appointed by Kofi Annan to reconcile the often-conflicting demands of companies, NGOs, and governments and to elaborate common standards for operationalizing the normative principles of human rights. Unfortunately, despite Ruggie’s relentless and patient efforts, no compromise could be found until now (see Davis, 2006, Zerk, 2007, Chandler, 2007). In his report of February 9, 2007 (Ruggie, 2007) Ruggie takes stock of the existing international human rights standards of responsibility and accountability for corporate acts. His second report, due by summer 2008, will present the “views and recommendations” on how business should address human rights issues.

**United Nations Global Compact and Other Initiatives**

These three areas of concern have been also addressed by the United Nations Global Compact based on ‘shared values for the global market’ and launched by Kofi Annan in 2000 (www.globalcompact.org). Business organizations (and later also cities, business schools, and other organizations) are invited to become signatories of the ten principles of human and labor rights, environmental protection, and anti-corruption, to shape their behavior accordingly, and to report on their performance every two years. As of February 2008, over 3,200 companies (or organizations) have joined the UN Global Compact (UNGc) and submitted a ‘Communication of Progress.’ The Global Reporting Initiative (GRI), another voluntary effort, was started in 1997 and has developed ‘Sustainability Guidelines’ for economic, social, and environmental performance on the basis of 11 reporting principles and with a series of specific indicators (www.globalreporting.org). Since its inception, approximately 20,000 people have engaged in the GRI network (as of February 2008). The GRI complements the Global Compact, and now actually collaborates with it, by providing measurable standards to the UNGC’s general principles.

Among the many initiatives undertaken in the past 20 years for setting standards of corporate ‘responsible’ behavior (however ill defined) we should also mention the worldwide and long-lasting activities of the International Organization for
Standardization (ISO; http://isotc.iso.org). After developing the standards ISO 9000 for quality management and ISO 14000 for environment conduct, ISO is in the process of producing ISO 26000 for social responsibility by October 2008. ISO might cooperate with other international organizations, particularly with the International Labor Organization and the UN Global Compact.

While all the aforementioned initiatives unmistakably involve an ethical dimension, either implicitly or explicitly, the following declarations and statements clearly articulate the ethical nature of those expectations. In particular, the Declaration Toward a Global Ethic (1993), the Interfaith Declaration of International Business Ethics (1994), the Caux Roundtable Principles for Business (1994), and the statement of the InterAction Council (1996) (all presented in Enderle, 1999) are noteworthy. Whereas these documents are of global scope and promulgate universal ethical norms, a worldwide survey of business ethics in 1996 focused on the situations in different countries and continents and described various forms of emerging business ethics issues (Enderle, 1997).

*Interaction between Law and Ethics Initiatives*

As ethical concerns have sometimes led to laws and regulations (for example, in the case of corruption), legislation and other government initiatives have also brought about increasing ethical awareness and likely, even better business conduct. In the United States the Federal Sentencing Guidelines, enacted in 1991, accounted for the corporations’ proactive compliance efforts in reducing the fines for their wrong-doing, and the revised Guidelines of 2004 explicitly require the judges to take into account the ethical effort made by the defendant organization. As a result of these regulations, now most major corporations have established positions of compliance and ethics officers (Ethikos, 2003, 2004). The Sarbanes-Oxley Act (2002) is another example of the legislation’s impact on corporate ethics. Although one might disagree on the appropriateness of certain provisions (for instance, its applicability to smaller companies or its treatment of foreign corporations), one can still agree that this Act, by and large, has help to raise the awareness of the importance of ethical business conduct (Ethikos, 2002).
More than in North America, the promotion of ‘corporate social responsibility’ or CSR has been advanced in Europe, particularly by the European Union in the early years of the twenty-first century. In 2001 the Commission of the European Communities published a Green Paper to promote ‘a European Framework for Corporate Social Responsibility’ (Commission, 2001), followed by a Communication (2002) that invited many stakeholders to participate in a European-wide dialogue on CSR. In 2004 the Commission published the final results of this dialogue and recommendations. Two years later it refocused its attention on ‘implementing the partnership for growth and jobs’ and, by doing so, hoping ‘to make Europe a pole of excellence on CSR.’ Unfortunately, this publication was not the product of a multi-stakeholder dialogue (as the European CSR definition would have required), but was the result of negotiations between the Commission and business leaders alone. Besides these initiatives of the EU in Brussels, as a matter of fact, there is a considerable diversity of CSR notions and practices in Europe, well documented in Corporate Social Responsibility across Europe (Habisch et al., 2006) with reports from 23 countries.

CSR expectations and initiatives have emerged in other continents as well. Numerous examples are discussed in Responsibilidad Social Corporativa - Una Mirada Global (Arroyo et al., 2006) as well as a report on business ethics in Latin America, published by The Ethical Corporation (November 2005). Moreover, since 2001 and on a regular basis this magazine has reported on CSR and ethical challenges and initiatives around the world, to mention, in particular, the reports on Africa (November 2002), Asia (June 2002 and September 2003), China (March 2004), and India (April 2007).

The efforts of companies (especially multinationals) in developing more coherent CSR strategies has been documented in a number of recent sources (Porter et al., 2006; Engardio, 2007; Savitz, 2006)

1.2 Four Arguments for Business and Marketing Ethics

Given the abundance of emerging expectations and initiatives regarding ethics and CSR in the global marketplace, one may question the underlying drivers or arguments that can
explain these developments. Although the circumstances vary a great deal across the
countries and industries, four arguments can be identified which apply to different
contexts in varying degrees.

*The Argument of Scandals*

Business scandals did not begin with the Enron and Parmalat cases. The list of scandals is
long and seemingly unending: Bribery in the procurement of aircrafts, explosions of
highly toxic substances in the chemical industry, spectacular environmental pollution of
rivers and seas, food contamination, dubious marketing practices in developing countries,
car ferry disasters, illegal armament exports, insider trading, deceptive financial
reporting, excessive executive compensations, *et cetera*. It is fair to say that no country is
spared from such scandals. But what are their consequences for improving business
practice in the long run? It is true that scandals naturally provoke outrage along with a
call for new and better business conduct. Yet, in spite of the dramatic publicity they
receive, the scandals argument does not seem to be very strong. One just reacts, mostly
emotionally and without adequate background knowledge. Scandals can shake up, but not
motivate for lasting changes in practice.

*The Argument of Economization*

This argument states that business nowadays plays an ever more important guiding role
for the whole of social life, that an ‘economization’ of society is underway. Economic
thinking and acting are penetrating and dominating more and more domains: large
investments, research and development, mass media, politics, education, health care,
culture, and the family, for example. Thus, only what counts economically and yields
profit is relevant. The potentially disastrous consequences are compounded through the
process of globalization. What can be said about this argument? Even if this statement
appears to be exaggerated, various tendencies toward economization cannot be denied.
Against them, business ethics is called to support insurmountable boundary lines imposed
by laws and regulations. The remedy comes from outside business, which is necessary
but certainly not sufficient for introducing and strengthening ‘new practices.’
**The Argument of ‘Good Business’**

It is also called ‘making the business case’ for ethics and CSR. Now widely used, particularly in North America, it says that ‘good business’ and ‘good ethics’ go hand in hand. Ethical conduct lies in the self-enlightened interest of the companies and is seen as an important motivational and unifying force to compete in the global marketplace. Because this argument comes from within business and is not imposed from outside, it is especially attractive for business people. However, here the role of business ethics seems to be ambiguous as it will be discussed later on in section 2.2. Is ‘good ethics’ only a means to achieve business ends? And what happens if it does not help to meet them? Should it then be dropped? If this argument holds only in the long run, what is a company supposed to do in the short term?

**The Argument of Challenges**

This reason for business ethics is forward-looking as we face the great challenges in the twenty-first century. Emotional reactions to scandals, imposed restrictions on business from outside, and trust in self-regulation and making the business case for better business conduct are considered insufficient. Merely reactive attitudes and behaviors will fail. What is imperative is an anticipatory, pro-active, and ‘entrepreneurial’ approach. Among the great challenges, we may include: an ecologically compatible economy, which allows all human beings to live decently on the planet earth; the overcoming of worldwide poverty and unemployment; the abolition of discrimination relating to gender, nationality, race, and religion; the establishment of relatively corruption-free business environments; the shaping of just international business relations, not biased by reckless competition and extreme power imbalances, but promoting efficient and peaceful cooperation among all business partners.

While these four arguments can explain, to some extent, the emergence of ethics and CSR, they may involve very different views and attitudes about ethics in this process.

1.3 Different Views and Attitudes about Ethics
In describing the emergence of ethics and CSR for marketing in the global marketplace we took stock of a wide array of things that business should do, either because business itself embraces those responsibilities or because other groups expect business to fulfill them. We talked about sustainability, corruption, human rights, and many other issues. These are all ethical questions in the sense that they ask the fundamental question of ethics: What should I do, what should we do? However, the more specific this question is formulated and the more closely we look at the proposed answers, the more diverse and even bewildering becomes the picture. And when we attempt to reach out to a global understanding (which is an almost impossible endeavor), we may realize something of the enormous diversity and contradictions of cultural norms and values. In fact, as Christian Tyler observed some years ago, ‘we live in an age of ethical confusion (emphasis added), and are prone to periodic outbreaks of moral panic’ (Tyler, 2000).

There are different ways of facing, and reacting to, this confusion, which have also affected the emergence of ethics and CSR described above. One way could be called ‘ethical imperialism,’ that is the attitude of people, organizations, and governments to impose their own norms and values on other people, organizations, and governments. For example, various developed countries and NGOs are accused of ethical imperialism by requiring developing countries to meet their labor and environmental standards. Or the enforcement of human rights is interpreted by certain Asian leaders as an act of western ethical imperialism, while similar feelings arise among non-Asians (and Asians as well) at the promulgation of so-called Asian values.

The countervailing attitude to ethical imperialism is ethical relativism. Instead of imposing one’s ethical views on other cultures and countries, one refuses to make ethical judgments on them. Relativism states that ethical values and judgments are ultimately dependent upon, or relative to, one’s culture and society, and there is no right or wrong, moral or immoral, except in terms of a particular culture or society (DesJardins, 2006: 22-6). For instance, widespread corruption in a particular country cannot be ethically criticized by foreigners. If companies want to operate there according to the relativist, they are morally obliged to play by the rules of the corrupt regime.

A third attitude, often in response to ethical confusion and particularly directed to international affairs, is ethical skepticism. It holds that we cannot reasonably assess
ethical values and norms at all. Doubt and uncertainty prevent us from making any ethical judgment. Therefore, ethics has no place in the global marketplace. At best, a pragmatic approach can bring about some practical rules and standards.

Having considered the emergence of ethics with various underlying arguments on the one hand and widespread attitudes about ethics on the other hand, what can we conclude? Is there no way to overcome ethical confusion and find well-founded ethical guidance? We suggest that the discussion so far has shown that as long as we deal with human activities, organizations, and institutions, ethics or the notions of right and wrong, just and unjust are unavoidable. But it also brought to the fore that we need to clarify ethical language and ethical concepts.

2. Clarifications of Ethical Concepts

2.1 Morality, Ethics, and Responsibility

The fundamental question of morality and ethics is: What should I do, what should we do? If we do not ask ourselves this question, any talk about morality and ethics is in vain. This was already unambiguously clear to the Chinese philosopher and teacher of ethics Confucius (551-479 BCE) when he admitted that ‘I can do nothing for those who do not ask themselves what to do’ (Analects 15:16). Hence morality and ethics are about action and essentially normative, not explicative. Their primary focus is on what we should do; neither on what we can do nor on what we can know.

The terms ‘morality’ and ‘ethics’ are derived from the Latin ‘mores’ and the Greek ‘ethos’ respectively, both words meaning the same thing, namely ‘the morally appropriate conduct that conforms to what has become the norm or law in one’s own home and region of life through habit, tradition, and convention’ (Rich, 2006: 11). Accordingly, to be ‘moral’ or ‘ethical’ meant to conduct oneself according to social norms and customs.

However, with the emergence of conflicting social norms and customs and the critical call of Socrates (469-399 BCE) and others to examine one’s own life, the Greek
word ‘ethos’ has gained a somewhat different meaning: ‘instead of habitual conduct, it came to mean that which I should do based on my reasoned insight and thus in accordance with my convictions’ (Rich, 2006: 11). In other words, that which I should do was opposed to that which one does, conscience to convention. ‘The ethical question in its true nature is thus a question about the good and the right, which is more than morals, customs, and civic legality.’ (Rich, 2006: 12) As a consequence of this change of meaning, to be ‘ethical’ or ‘moral’ now means to be ‘good’ and ‘right’ that stands the test of reasoned examination.

While in contemporary language the adjectives of ‘moral’ and ‘ethical’ are most often used interchangeably, the noun of ‘morality’ and ‘ethics’ are frequently (though not always) distinguished, the first term relating to practice and the second to reflection on that practice. In this way Richard De George offers the following definitions:

Morality is a term used to cover those practices and activities that are considered importantly right and wrong; the rules that govern those activities; and the values that are embedded, fostered, and pursued by those activities and practices. (De George, 2006: 19)

In contrast, ethics is the study of morality or:

Ethics is a systematic attempt to make sense of our individual and social moral experiences, in such a way as to determine the rules that ought to govern human conduct, the values worth pursuing, and the character traits deserving development in life. (De George, 2006: 19-20)

These definitions can help clarify several key features. First, it is crucial to distinguish between the practice or individual and social moral experiences (be they positive or negative) on the one hand and the study and examination on the other hand, the terms ‘morality’ and ‘ethics’ pointing to this difference. It means that study cannot substitute for practice, but also practice needs systematic examination to scrutinize ‘what is considered importantly right and wrong’ in order to determine what should be
importantly right and wrong. We may remember Socrates questioning social norms and customs in order to gain reasoned insight for our convictions. Ethics, understood in this sense, cannot put up with the aforementioned attitudes of ethical skepticism, imperialism, and relativism and would not qualify everything in our previous survey of the emergence of ethics as pertaining to ‘ethics.’ There, sustainability and human rights are considered importantly right and corruption importantly wrong. But to be considered as such does not make them ethically required without a systematic attempt to make sense out of them.

Second, morality and ethics are not only about practices and activities but also about rules, values, and character traits. Although the fundamental ethical question is: What should I do, what should we do?, thus focusing on practices and activities, it is important to include this wider scope of relevant aspects because practices are necessarily governed by (certain) rules, embedded and nourished by (certain) values and steered by character traits and habits (e.g., virtues or vices) of decision makers and actors. It goes without saying that, according to these proposed definitions, morality and ethics cannot be confined to solely rules or values or character traits (i.e., virtue ethics).

Third, in order to avoid blunt and undifferentiated ethical judgments, it is advisable to distinguish three different levels of ethical obligation: minimal ethical requirements which must be met under all circumstances; positive obligations which determine ‘good practices’; and the aspiration for ethical ideals which strives for ethical excellence (see De George, 1993: 184-8). If one falls short of being excellent, one is not necessarily unethical, and if one violates minimal ethical standards, one cannot be ‘good’ or ‘excellent.’ A corporation that contributes millions of dollars to philanthropy, supports the local ballet and cleans up neighborhood parks, claiming to be ‘socially responsible,’ is not really ethical and socially responsible if it is cheating in their core business activities. Although the lines between the three levels are not always easy to draw, it is not too difficult to substantiate minimal ethical requirements to do no harm. They are globally applicable, supported by a wide consensus and frequently incorporated in legal standards, though more often in developed than in developing countries (for further discussion, see section 2.3). With regard to ‘positive obligations,’ they go beyond the minimum, require doing good in a broader and vaguer sense, are more country- and culture-specific and dependent on the socio-economic system. As an example, we may
mention the obligation to be charitable or help the needy. Here, in contrast to the first level, each person has a certain amount of discretion in determining how to fulfill this obligation. At the third level, one has even more discretion not only in choosing the means but also in setting the goals of ethical excellence. It is a space wide open to moral imagination and abundant diversity that cannot be determined by rules and standards. So, in a nutshell, the importance of this three-level distinction lies in cautioning against a blunt either-or of ‘ethical’ versus ‘unethical’ and fostering a more differentiated approach to ethical evaluation, be it of persons or organizations.

Fourth, morality and ethics presupposes freedom. Thus, robots and animals cannot be ethical. The actors, be they persons or organizations, must have some space of freedom to choose. To have such space that might vary among actors and over time means to have ‘real freedom’ to make decisions and take actions. It also means to be subject to constraints that can be of different nature (physical, legal, economic, social, cultural, and other) and lie beyond the actor’s control. The actor has the ethical obligation to use his or her space of freedom in an ethical manner to the fullest extent possible. At the same time the actor should not be held ethically accountable for what he or she cannot control, based on the fundamental principle, held throughout the history of ethics, that ‘ought implies can.’ Does this imply that the constraints are not subject to ethical examination and change? The answer is no in so far as constraints are human made. But the changes have to be made by those who are capable of making them, if not individuals, then collective bodies, perhaps organizations, governments, or international institutions.

Marketing Ethics and Ethical Marketing
Definitions of marketing ethics and ethical marketing build upon these principles. In an earlier book, Lacznia and Murphy (1993) define marketing ethics as: the systematic study of how moral standards are applied to marketing decisions, behaviors and institutions. This definition builds upon the work of De George and others cited above. More recently, Murphy et al. (2005: xviii) define ethical marketing as:
practices that emphasize transparent, trustworthy, and responsible personal
and/or organizational marketing policies and actions that exhibit integrity
as well as fairness to consumers and other stakeholders.

The practice vs. study aspect of ethics is addressed as well as the focus on several virtues
essential to becoming ethical marketers in this definition.

*Freedom and Responsibility*

Responsibility has become a key concept of contemporary morality, maybe even more
important than integrity \(^1\) and fairness \(^2\) (for the following, see Enderle, 2006). The word
‘responsibility’ contains the idea of responding or giving valid answers to questions
asked by others, similar to the meaning of the word ‘accountability.’ Thus, responsibility
reflects the relational structure of human existence. According to Walter Schulz (1972),
who offers a very deep understanding of responsibility in his masterwork ‘Philosophy in
the World That Changed,’ the concept of responsibility includes a polarity. On the one
hand, there is the inner pole or self-commitment originating from freedom (‘Selbsteinsatz
aus Freiheit’). Responsibility thus rests on and requires an inner decision. A responsible
person cannot hide herself behind a given role. Rather, the exercise of responsibility may
demand one act above and beyond conventional morality. Think of a whistle-blower in an
oppressive corporate culture or of what we said about Socrates. On the other hand, at the
opposite pole, this self-commitment originating from freedom has its point both of
departure and destination in a worldly relationship (‘in welthaf tem Bezug’).

In as far as the human being indispensably stands in historical situations,
responsibility is always responsibility *toward ...* and responsibility *for.*
This means, responsibility is a category of relationship. Consequently, in
an ethics of responsibility the questions of interpersonal conduct must be
to the fore, to be precise, as concretely as possible. (Schulz, 1972: 632;
translated by Enderle)
As we can see, Schulz anchor’s responsibility in the freedom of the human person as decision maker, stretching it to an authority toward whom one is responsible and to a very concrete matter for which one is responsible. So we may conclude that responsibility involves three components: (1) the subject of responsibility or who is responsible; (2) the content of responsibility or for what one is responsible; and (3) the authority toward whom one is responsible. This distinction may help to better sort out ambiguous and complex issues of responsibility and illuminate our investigation in corporate responsibility in the following section.

Unfortunately, the fundamental link between freedom and responsibility is often ignored or even rejected. We want more freedom without being willing to bear more responsibility. But, if liberalization, deregulation, and privatization are to be advanced, the commitment to ethical responsibility needs to march in step. As Viktor Frankl, a psychiatrist and survivor of the Auschwitz concentration camp, provocatively states in his book *Man’s Search for Meaning*:

> Freedom is only part of the story and half of the truth. Freedom is but the negative aspect of the whole phenomenon whose positive aspect is responsibility. In fact, freedom is in danger of degenerating into mere arbitrariness unless it is lived in terms of responsibility. That is why I recommend that the Statue of Liberty on the East Coast be supplemented by a Statue of Responsibility on the West Coast. (Frankl, 1984: 134)

2.2 Corporate Responsibility and CSR

*The Corporation as Moral Actor*

In her remarkable book, *Value Shift*, Lynn Sharp Paine examines the legal history and the contemporary pervasive presence of the corporation and comes to the conclusion that ‘[I]n today’s society, the doctrine of corporate amorality is no longer tenable’ (Paine, 2003: 91). Indeed, unless we recognize the status of the corporation as a moral actor, it does not make sense to speak of unethical corporate conduct, to promote the ethical
corporation, to hold the corporation morally accountable for its impact, or to publish corporate responsibility reports.

So, how can we understand the corporation to be a moral actor? Does Schulz’s concept of responsibility help us to find an answer? For sure, the corporation is a ‘worldly’ thing and is therefore an intrinsic part of responsibility. But what about the first pole of his concept, the notion of ‘self-commitment originating from freedom’? At first glance, it seems hard to apply it to an organization. Can an organization really make an inner and free decision to commit itself? After all, the organization is not a human being and hence not a moral person. Nevertheless, we uphold the ‘free’ enterprise as a hallmark of our economic system. Analogous to the human person, the corporation has and develops an ‘identity’ (which is crucial for reputation management and brand recognition). It pursues a purpose, nurtures a culture, has some space of freedom to make decisions, and impacts people, society, and nature. With all these characteristics it appears reasonable to conceive the corporation as a moral actor. In other words, it makes sense to identify the subject or bearer of corporate responsibility that can and should be held responsible. According to Schulz, it is crucial that responsibility not only consist of a set of ethical values and norms but be anchored in actors. This is a very basic requirement with far-reaching consequences for any type of ethics.

In analyzing the concept of responsibility further, not only should we anchor responsibility in accountable actors but also draw a sharp distinction between the authorities toward whom the actors are responsible and the contents for what they are responsible. It is fair to say that, unfortunately, the discussion of the stakeholder theory often confuses these two aspects. Being responsible to the customers, employees, communities, and other stakeholders only determines toward whom the company is or should be responsible while leaving the various contents of corporate responsibility completely vague. Even if we can establish a responsibility relationship between the company and a particular stakeholder in an ethically proper fashion (as, for instance, Robert Phillips [2003] does), we still have to answer the question of what this responsibility should contain. While the stakeholder theory remains silent on this, the CSR initiatives, mentioned in chapter 1, offer a multitude of proposals to identify and measure the contents of corporate responsibility.
Purposes and Responsibilities of Corporations

Intrinsically related to the question of contents is the question of the purpose of the business organization. The purpose sets the direction of the whole company. It inspires its mission, motivates its managers and employees, and defines the benchmarks of its achievements and failures. If the purpose is well defined and wholly embraced, the organization can overcome a great deal of difficulties and achieve lasting success. In fact, it equally holds for the organization what Friedrich Nietzsche said of the person: ‘[H]e who has a why to live for can bear with almost any how.’ (Nietzsche cited by Frankl, 1984: 84)

The why of the business organization has been commonly defined in merely financial or economic terms: to make money, to increase stock value, to accumulate or create wealth, to use resources efficiently, or to provide goods and services, to name a few. When the purpose is limited to a single one such as these, all non-financial and non-economic aspects are thus conceived either as ‘constraints’ (such as legal requirements) or as ‘means’ to achieve this single purpose (for example, treating employees fairly in order to increase their productivity).

In our view, a better way of understanding the corporation is to conceive it as a multi-purpose organization that has an economic, social, and an environmental purpose. It is crucial to note that each purpose, having intrinsic value, is related to the others in a circular, not hierarchical, manner. In other words, the pursuit of, say, the environmental purpose is not only a means to achieve the economic purpose, but it makes sense on its own right as a move toward more sustainability (as defined, for example, in section 1.1). This recognition of the environmental purpose for its own sake can be found in an increasing number of corporate responsibility reports and recent statements of business leaders, sometimes clearly articulated and sometimes more implicitly assumed.

In this vein, for instance, Jeffrey Immelt, chairman and chief executive of GE, has recently defended a consistent policy on cleaner energy by arguing that ‘we are crossing the threshold where solving energy and environmental problems is the profitable thing to do as well as the right one.’ (Financial Times, June 29, 2005, p. 13). Here Immelt clearly makes a double argument for justifying GE’s recently launched research investment
project ‘Ecomagination’ of $1.51 billion. On the one hand, the project is extolled as ‘profitable’ (that is achieving the economic purpose), and on the other hand, it’s affirmed as ‘the right thing’ by contributing to improving the environment (that is the environmental purpose). We suggest that both lines of argument are indispensable and ought to be stated publicly on an equal footing. They should not be played against each other as if they were necessarily contradictory. It is noteworthy that the improvement of the environment is considered here a purpose, not just a constraint or an impact of a profit-seeking policy. Only a purpose, not a constraint or an outcome, has the power to inspire and motivate for excellence. Again, as Nietzsche said: ‘[H]e who has a why to live for can bear with almost any how.’

In fact, both arguments need each other and can create synergistic power. Although the profit argument, or the so-called ‘business case,’ might be strong under certain conditions, it obviously is not overpowering given its dependence on an uncertain and thus risky future. Otherwise, if it were convincingly dominant, businesses would not hesitate to flock to the ‘green road.’ As for the recognition of the environmental purpose, it might be a lofty ideal and an imperative in the long run. But it cannot serve as a business purpose if it lacks economic feasibility.

In exploring the multi-purpose character of the business organization, we can develop similar thoughts with regard to its ‘social’ purpose. The pursuit of being a ‘good corporate citizen’ (as numerous corporate reports proclaim) should not be conceived and used only as a means to achieve the economic goal, but should be recognized by the organization as a value in its own right. As a result of such a principled decision and policy, the company can gain respect and trust as a genuinely social actor, shrugging off the ugly reputation of being merely a ‘money machine’ that behaves ‘decently’ for financial reasons alone.

Contrasting Concepts of Corporate Social Responsibility
Having applied the concept of responsibility with its three components to the business organization and explored its multi-purpose character, we may now contrast this proposed concept with three other concepts of corporate responsibility that have become quite influential in the CSR debate: the definition of CSR by the European Union, the
‘Good Company’ according to *The Economist*, and a widespread notion advocated by Archie Carroll, an American business ethicist.

First, the *European Union’s Green Paper on CSR* in 2001 and its subsequent communications (Commission, 2002, 2004, 2006) define CSR as:

> a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis (Commission, 2001: no. 3).

As one can see, this definition includes several valid elements: the mention of both social and environmental concerns, the need of integrating them in the business operations and stakeholder relations, and the importance of a voluntary commitment of the companies. However, we should also point to a number of questionable aspects. It does not raise the basic ethical question about the commitment of the company that precedes the issue of mandatory versus voluntary action, and it seems to assume that CSR can only be voluntary. The qualitative difference between ‘social’ and ‘environmental’ is rather blurred and the fashionable term of integration turns out to be a kind of ‘black box’ ready to be filled with any content. Last but not least, the use of the term S for ‘social’ is quite ambiguous and inconsistent. On the one hand, it indicates *content* of responsibility, namely ‘social concerns’ as distinct from environmental concerns and business operations. On the other hand, it relates to *the authority to whom* companies are responsible, namely society. So what does it actually mean? Indeed, the term CSR is rather confusing and better replaced by ‘corporate responsibility’ with regard to economic, social, and environmental performance (as is actually done by an increasing number of companies).

Second, in January 2005, *The Economist* published ‘a survey of corporate social responsibility.’ Lamenting over the victory that the CSR-movement has won in the battle of ideas, the survey rightly observes that CSR as practiced means many different things. After 22 pages it comes up with the conclusion that ‘The proper business of business is business. No apology required.’ (*The Economist*, 2005: 22) What can we say in a few words about this survey? Unfortunately, it is not much more than a warmed-over of
Friedman’s 35 year old article and largely ignores the considerable advancements in the understanding of corporate ethics and responsibilities, which have been made in this period by an entire generation (see, for instance, Paine, 2003). It is certainly true, as the survey notes, that ethics is now given an explicit and indispensable role for business behavior, namely that ‘ordinary decency’ and ‘distributive justice’ need to be understood in relation to the proper goal of the firm. ‘Without these basic values, business would not be possible.’ (p. 20) However, the survey suggests that the firm has only one single purpose, defined as simply as seeking profit. No thoughts are given as to what genuine wealth creation of the company could mean. Moreover, it is naively assumed that ‘merely by running a profitable company, [successful managers] are likely to be advancing the public good as well’ (p. 6). And, lastly, while the survey establishes a supposedly close and dangerous link between the CSR-movement and changes in the capitalistic system, this link is far from obvious and much more complex than the authors indicate.4

A third contrasting concept of corporate social responsibility has been proposed by Archie Carroll, printed in the first, but not second edition of *The Blackwell Encyclopedic Dictionary of Business Ethics* (Werhane *et al.* 1997: 593-5) and taken up by numerous scholars (for instance, Ferrell *et al.*, 2005: 47-8, Matten *et al.*, 2006: 337-40). As Carroll states, ‘the social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time’ (p. 594), the details of this view being elaborated in Carroll and Buchholz (2003: 39-40). Although this four-part perspective seems to be ‘practical,’ it reflects a serious misunderstanding of ethics, at least in the sense of responsibility as ‘self-commitment out of freedom.’ Despite some mitigating remarks, ‘ethics’ is essentially compartmentalized into one single part of social responsibility, while the ‘economic,’ ‘legal,’ and ‘discretionary’ parts appear to be ‘ethics-free.’ No levels of ethical obligations are distinguished, environmental concerns are conspicuously absent, and the economic purpose seems to trump any other purpose.

**In Short: A Concise Concept of Corporate Responsibility**

To conclude, we summarize our concept of corporate responsibility in four points.
First, responsibility, as ‘self-commitment originating from freedom,’ is a rich and central concept of contemporary morality and can be applied to the business organization as a moral actor. By doing so, the widely and vaguely used term of responsibility, in business language and corporate reports, gains clarity and depth. As a result, the decisive challenge for business shifts. Rather than only asking whether CSR should be mandatory or voluntary, as it has been hotly debated in the European Union, the decisive challenge for business is whether or not it commits itself out of freedom. Indeed, ethical responsibility is not limited to voluntary actions as if mandatory actions were only a matter of legal responsibility. Even legal and regulatory requirements need the support of ethical responsibility, since one should pursue not only the letter but also the spirit of the law.

Second, responsibility includes three components: (a) It needs to be anchored in a clearly defined subject or bearer of responsibility (which might be an individual, a group, an organization, a nation, or another entity). Only with such anchorage can the language of responsibility and accountability make sense and be effective. (b) Executing responsibility means answering the questions asked by others who have legitimate authority to do so, now commonly called ‘stakeholders.’ This relationship comprises more than simply being ‘responsive’ as many business consultants have recently urged companies to become. For this relationship has an ethical quality, which means that the company is concerned about what is right and wrong, just and unjust. But this relationship is also less than numerous stakeholder theorists claim because the substantive issues of responsibility are not identified yet. (c) Hence the third component of corporate responsibility deals with the contents that can be divided into three major groups: economic, social, and environmental.

Third, given the widespread custom of opposing corporate social responsibility against business ethics, one might assume that CSR has nothing to do with ethics. However, in our conceptual approach, we place ethics at the heart of corporate responsibility permeating the company’s purposes, constraints, performances, and impacts. The company’s ethical responsibility extends as much as its space of freedom. Moreover, by distinguishing three levels of ethical obligations, that is ethical minima, positive obligations, and ethical ideals, we reject the simplistic alternative to choose
between either ‘ethical’ or ‘unethical,’ offering instead a differentiated way of evaluating corporate ethical conduct. Indeed, simplistic alternatives make reasonable ethical evaluation impossible for companies and their critiques alike.

Fourth, the discussion about the purposes of the company brings to the fore that ‘making the business case’ for CSR can be misunderstood very easily. If social and environmental concerns are merely used as means (that is not recognized as purposes on their own rights) in order to achieve a single and often simple economic purpose (for instance, to make money), the endeavor of making the business case becomes self-defeating, entailing mistrust and skepticism among those inside and outside the company, as this kind of strategy is revealed. Instead of promoting the slogan ‘ethics pays,’ one had better follow the principle that ‘ethics counts’ (Paine, 2003: 141). Having said this, one should also acknowledge the financial success that follows the pursuit of the triple purpose of the company.

2.3 In Search for an Overlapping Consensus

The emergence of ethics and CSR we have been witnessing in the last 20 years raises the question if there is also a growing common ethical ground that could provide a firm basis for business in the global marketplace. Although the multitude of initiatives seems to point to a certain convergence, major obstacles might not give us too much cause for optimism; we may recall John Ruggie’s herculean task or think of the debates over climate change. Moreover, convergence is not only a practical matter, but also needs an ethical foundation.

The Idea of an Overlapping Consensus (J. Rawls)

In order to avoid ethical imperialism, relativism, and skepticism, we suggest to approaching this question with the help of John Rawls’s ‘idea of an overlapping consensus’ (Rawls, 1996: 133-72) applied to the global context (and thus transcending Rawls’s more restricted application to democratic societies). The challenge is to find a common ethical ground for a stable and just world society, given the ‘fact of pluralism’
(Rawls) that characterizes the permanent condition of society with their conflicting and even incommensurable religious, philosophical, and moral doctrines. Even if society is free, that is if the basic rights and liberties of free institutions are warranted, this pluralism will not pass away; for it is part of ‘the burdens of reason.’ If, however, a single comprehensive doctrine should prevail, state power is necessary to impose it and to repress the others. So the fundamental problem is the following: How can we affirm the pluralism of more or less comprehensive ‘conceptions of the good’ and at the same time find a ‘political conception of justice,’ which regulates the living together of humans and is supported by the various ‘conceptions of the good’? This problem arises at all levels of human action (in families, companies, countries, etc.), yet more palpably and urgently at the global level.

One solution can be found in an ‘overlapping consensus.’ That implies that no religious, philosophical, and moral doctrine may claim that its respective moral values and norms are exclusively valid globally. Only a common minimum consensus provides an ethically sound base. However, this consensus must be ‘free-standing’ (Rawls) or rooted in human nature and also supported by the respective cultural and religious traditions. The ‘common minimum consensus’ must find maximum support. Otherwise it would be extraneous to the adherents of the respective doctrines and unstable.

Based on such an overlapping consensus, are there any principles, norms, or values that can provide well-founded ethical guidance in the global marketplace? The Golden Rule, human rights, and the conception of capabilities advanced by Amartya Sen and Martha Nussbaum all qualify.

The Golden Rule

It is a noteworthy phenomenon in the history of humankind that the so-called Golden Rule can be found in very diverse cultures and religions: in ancient Greece, in the Hebrew Bible and the New Testament, in Islam, Confucianism, Taoism, Hinduism, Buddhism, Jainism, Sikhism, and Parsism (see Dalla Costa, 1998: 141-2; Enderle, 2008; Plaks, 2005). In one form or another it says negatively: ‘Do not do unto others what you would not have others do unto you!’ and positively: ‘Do unto others as you would have others do unto you!’ Passed on over thousands of years, the Golden Rule has been often
badly understood and undervalued in its importance and even criticized by renowned philosophers (such as Immanuel Kant, Bernhard Gert, and Kwame Anthony Appiah). Despite a certain vagueness, possible misinterpretations, and obvious limitations, it can provide powerful guidance and is also one of the fundamental principles of the Declaration Toward a Global Ethic (see chapter 1).

The Golden Rule is based on a two-person model, in which person A (the active participant) makes a decision and takes an action that affect person B (the passive participant). In fact, the Golden Rule includes four rules: (1) The rule of empathy requires a thought experiment: Put yourself (A) in the position of the person (B) who will be affected by your decision and action! (2) The rule of autonomy demands that you should ask yourself (your conscience) how you in that position (B) want to be affected by such a decision and action (from A). (3) The rule of reciprocity requires to returning to your original position (A) and to decide and act accordingly. (4) The rule of prudence suggests to act in your own enlightened interest and to treat your fellow now as you want to be treated by him or her in the future.

In many situations the application of the Golden Rule is straightforward. Think of the customer who does not want to be cheated or the employee who wants to be respected. More difficult is the application when the position of the affected person is not sufficiently defined. How should the child be treated by her parent, the patient by his doctor, or the criminal by the judge? Notions of a child’s needs, a patient’s will or a criminal’s basic rights might be necessary to qualify the affected person. Even more difficult, if not impossible, is the application of the Golden Rule to situations that transcend the two-person model, particularly to institutional arrangements and intergenerational challenges. Here the principles of reciprocity and sustainability as well as the notion of human rights seem to be indispensable.

Human Rights

After the atrocities of the Second World War the establishment of human rights as a global ethical framework has progressed considerably through the Universal Declaration of 1948 and numerous international conventions as well as national and international legislation. Human rights are an important legacy of the Enlightenment as Lynn Hunt
demonstrates in her remarkable book *Inventing Human Rights* (2007). But the genesis of human rights is not an exclusively western process. Rather, it has developed in various western and non-western streams greatly intermingling over time (see Sen, 1999: Chapter 10). Although by now human rights are widely recognized, many controversies remain and challenges from different cultures and religions need to be addressed. This is possible in East Asia and with Confucianism as is thoroughly discussed in a number of books: *Confucianism and Human Rights* (De Bary et al., 1998), *Asian Values and Human Rights. A Confucian Communitarian Perspective* (De Bary, 1998), *The East Asian Challenge for Human Rights* (Bauer et al., 1999), *East Meets West: Human Rights and Democracy in Asia* (Bell, 2000). With regard to questions about Islam and human rights, we refer to four international conferences on human rights held in Qom, Iran, and documented on the website of Mofid University http://chrs.mofidu.ac.ir/.

Due to substantial progress in the human rights discussion, it is fair to say that the focus of controversy has shifted from the foundation and identification of human rights to the questions of who is responsible to fulfill them and how they can best be enforced. As already mentioned above, business is expected to play an important role, particularly ‘within its sphere of influence’ and avoiding ‘complicity’ with human rights violators. It is up to the Ruggie commission to determine what this means more specifically.

**Human Capabilities**

A third way of substantiating the contents of an overlapping consensus is the conception of human capabilities developed by Amartya Sen (1985, 1999) and somewhat differently by Martha Nussbaum (2006), who have influenced the *Human Development Reports* published annually since 1990 by the United Nations Development Program. (Its 2000 report is dedicated to human rights and human development; UNDP 2000.) This conception focuses on ‘the real freedoms that people enjoy’ (Sen, 1999: 3) or the ‘capabilities’ of persons to lead the kind of lives they value and have reason to value. They include five types of freedoms: political freedoms, economic facilities, social opportunities, transparency guarantees, and protective security. The capability approach provides an informational basis that is truly people-centered. It goes beyond the measurement of well-being in terms of income, commodities, and primary goods (J.
Rawls) and overcomes the unsolvable measurement problems of utilitarianism. For international business, the capability approach offers consistent and adaptable cross-cultural or universal standards. It can help specify the corporations’ economic, social, and environmental responsibilities (see Enderle, 2004) and can be easily combined with the human rights approach.

3. ‘The Global Marketplace’ as a Field of Applied Ethics

3.1 Globalization and Global Marketplace

In recent years the debate on globalization has become widespread and highly controversial as it explores what the concept is, how it impacts the world, and what it should be (see, for example, Stiglitz, 2002). Given these controversies, the often evoked image of the world as ‘a global village’ seems rather innocent and even misleading, although it correctly points to the increasing interconnectedness of the world, due to an immense reduction in the cost of transportation and communication. Globalization can be understood as a kind of international system in the making. It is:

\[
\text{not simply a trend or a fad but is, rather, an international system ... that has now replaced the old Cold War system, and ... has its own rules and logic that today directly or indirectly influence the politics, environment, geopolitics and economics of virtually every country in the world. (Friedman, 2000: ix)}
\]

Although economic globalization is of paramount importance, it would be shortsighted to conceive of it exclusively in these terms. This system in the making is about ‘global transformations’ in the plural, including political, cultural and environmental globalization, migration and the expanding reach of organized violence (see Held \textit{et al.}, 1999, 2000, 2002).
In order to understand and evaluate economic globalization, one has to investigate and account for not only economic activities and their impact but also the institutions and the rules (or ‘the system’) that govern and should govern these activities and consequences. Hence the institution and the rules of the market in particular are at stake.

It is useful to recall the strengths and weaknesses of the market in the domestic context of industrialized countries to investigate the question of what markets can and cannot provide in the international arena. Free and competitive markets, properly regulated, provide freedom to economic actors (individuals, organizations, and countries). They have an equalizing impact insofar as they are based on economic performance, expressed by the price system, as distinct from non-economic characteristics such as race, gender, religion, and nationality. At the same time, from economic theory and practical experience we know that economic growth is not necessarily sustainable. Markets by themselves cannot ensure an acceptable distribution of economic opportunities or results. Even if they are perfect, they fail in providing public goods. Moreover, some markets, particularly in the areas of labor, basic health care and education, are inherently unreliable at maximizing aggregate output in these areas (see Turner, 2001).

Given these strengths and weaknesses of the markets in the domestic realm, these same factors must be taken seriously in the shaping of economic globalization as well. Global markets need global institutions that should not only enhance freedom, efficiency, and economic growth. They should also promote sustainability and distributive justice, provide international public goods that are essential for living and collaborating in the ‘global village,’ strengthen fairness in labor markets and ensure basic health care and education (as suggested, for instance, by the capability approach in section 2.3). The lessons learned in the domestic realm should be applied to ‘the international system in the making’ in general and to economic globalization in particular.

However, effective, fair, and sustainable global institutions do not suffice single handedly to make economic globalization succeed. The successful ‘game’ depends not only on the quality of the rules but also on how ‘the players play.’ First and foremost, it is the moral responsibility of the ‘big players,’ that is, powerful nation states, unions of states, and multinational corporations, to shape globalization according to universal
ethical standards. This enormous task includes two simultaneous tracks: The big players should exhibit exemplary behavior towards the goal of globalization ‘with a human face’ while also fairly participating in establishing the necessary global institutions.

3.2 A Multi-Level and Two-Legged Approach to Business and Marketing Ethics

In order to deal with the highly complex challenges of marketing ethics in the process of globalization, it does not suffice to focus only on institutions and rules or on the behavior of particular states and corporations alone. Rather, a more sophisticated approach to the complex field of global marketing ethics is needed, which we might call a multi-level and two-legged approach (see Enderle, 2003: 534-40).

In order to identify the subjects of responsibility as concretely as possible, three qualitatively different levels of acting are proposed, each of which includes actors with their respective objectives, interests, and motivations: the micro-, meso- and macro-levels. At the micro-level, the focus is on the individual, that is what he or she, as employee or employer, colleague or manager, consumer, supplier, or investor, does, can do, and ought to do in order to perceive and assume his or her ethical responsibility. Also groups, composed of small numbers of individuals and without organizational structures, making collective decisions and taking collective actions, are attributed to this level. At the meso-level, at stake is the decision making and action of economic organizations, chiefly business firms, but also trade-unions, consumer organizations, professional associations, NGOs etc. Finally, the macro-level includes the economic system as such and the shaping of the overall economic conditions of business: the economic order with its multiple institutions, economic, financial, and social policies, and others. It goes without saying that this conception includes the broad field of marketing in society (see Gundlach et al., 2007).5

At each level, the actors are supposed to have more or less extended spaces of freedom for decision making with corresponding ethical responsibilities, and to be limited by conditions (that is constraints) that they cannot change, at least for the time being. No level can substitute for another. This means that even if all problems at one
level (for example, macro-level) could be satisfactorily solved, many problems at the other levels (for instance, meso- and micro-levels) still remain.

Acting responsibly at all levels can require ethical displacement, a technique of resolving a dilemma, or sometimes solving an ethical problem, by seeking a solution on a level other than the one on which the dilemma or problem appears (De George, 1993: 97). For example, in order to prevent sexual harassment of saleswomen, an explicit corporate policy and a sustained corporate culture (at the meso-level) might be necessary if a change of attitude and behavior by individual actors (at the micro-level) is not sufficient. If such organizations and institutions at higher levels do not exist (as is the case with many international problems), it might be necessary to create them.

In order to adapt this three-level conception to the global marketplace, we propose an extended three-level model that accounts for different types of international relations at all three level. At the micro-level special attention is paid to personal (inner-group) relations and responsibilities across national borders; for example, cross-national groups of managers and employees or cross-national families. At the meso-level the focus is on inner-organizational relations and responsibilities across national borders; for example, multinational corporations, international trade unions or consumer organizations. The macro-level includes inner-systemic relations and responsibilities across national borders, incorporated, for instance, in bilateral agreements, regional treaties or global institutions like the World Trade Organization.

While the extended three-level conception helps to identify different types of actors, the two-legged approach suggests how to understand the relationship between ethics and marketing. As ‘applied ethics’ can have many different connotations, so does marketing ethics as a form of ‘applied ethics.’ One notion is to promulgate absolute ethical principles and impose them on marketing practices, which implies that marketing theory is irrelevant to marketing ethics. Another approach holds that marketing ethics has its own imperatives that are markedly, or even completely, distinct from high ethical requirements. Our following proposal, called a two-legged approach, offers a more sophisticated understanding: On the theoretical level, ‘applying’ means placing ethical theory and marketing theory in a two-way relationship that fosters productive interdisciplinary communication. With regard to practice, this combined theoretical
knowledge is being ‘applied’ to practical issues like product safety or power in the channel which, in turn, influence this theoretical knowledge. This means that marketing ethics needs the competences of practical marketing expertise as well as the theoretical knowledge of marketing science and ethics, and should take them seriously by fostering mutual communication among these kinds of competencies (see Enderle, 1998).

Empirical research in international marketing ethics has largely focused on testing the Hunt-Vitell (1986) model of marketing ethics. Scott Vitell and a number of co-authors (Vitell et al., 2003) have compared Hofstede’s (1983) four factors in the U.S., UK, Spain and Turkey and found moral intensity and ethical judgments to be similar across these countries. A similar second study (Vitell et al., 2004) found that corporate culture and organizational commitment play an important role in ethical perceptions and decision making. The Journal of Business Ethics published special issues on marketing ethics in 1999 (Vol. 18, No. 1) and 2001 (Vol. 32, No. 1). Of the 15 articles in these two issues, eight dealt with cross cultural comparisons of marketing ethics. A general conclusion from this research is that while cultural differences do exist, there is agreement on major ethical issues such as the importance of honesty and negative effects of bribery across societies. In addition, a recent textbook (Brenkert, 2008) devotes one chapter to marketing ethics in a global society.

4. Evolving Perspectives

4.1 Increasing Importance of Corporate Reporting in Economic, Social, and Environmental Terms

In exploring the emergence of ethics and CSR in the global marketplace (chapter 1) we have identified multiple forms, different drivers, and various underlying arguments. Compared to the 1980s, it is fair to say that today’s expectations about corporate responsibilities in economic, social, and environmental terms are considerably higher; the pressures on corporations by nongovernmental organizations have substantially increased; many companies have expanded their PR-efforts on CSR and some also
improved their behaviors; and various legal and regulatory provisions have supported the
emergence of ethics and CSR.

Thus, it comes as no surprise that reporting on and monitoring of corporate responsibilities have gained momentum, greatly facilitated by the Internet. We can find an abundance of all kinds of reports. Under a variety of titles such as sustainability report, corporate social responsibility report, corporate citizenship report, energy report, and corporate responsibility report, they vary greatly in format, length, and substance. Increasingly, they are posted on the Internet. The numbers are in the thousands and websites such as ethicalperformance.com and www.globalreporting.org regularly publicizes these reports. However one might assess the quality of those reports, the upshot is that they are now available in the public domain. The advent of blogs and critical web analyses of many corporate actions should have the effect of ‘keeping companies honest’ in these reports.

4.2 The American Marketing Association Statement of Ethical Norms and Values for Marketers

In 2004, the American Marketing Association (AMA) published a new statement of norms and values. It is shown in Exhibit 1. This document replaced an earlier code of ethics that the association found to be unworkable and dated. Members of the committee believed that a more aspirational statement was needed. As can be seen in the General Norms section, these three points tie in well with our discussion in Section 2.1 of this paper on morals, norms and ethics.

The six ethical values of honesty, responsibility (also examined in section 2.1 above), fairness, respect, openness and citizenship represent ideal characteristics for marketing practitioners. The bullet points below each of them are purposely formulated in the affirmative so that AMA members and other readers understand that these are positive duties rather than negative admonitions. The final value of citizenship says that individual marketers should approach their personal obligations in a similar manner to the CSR themes we have emphasized throughout this paper. Like companies, some AMA members will take their citizenship role more seriously than others. The final
Implementation section encourages marketing researchers and other specialists to delineate ethical policies and guidelines for their group.

Insert Exhibit 1 here

The need for a global code of marketing ethics was outlined by Rallapilla (1999) and he noted that any such code should include both normative guidelines and specific behaviors. As the American Marketing Association Statement of Norms and Values stated, such a statement cannot account for many of the specific behaviors that may cause ethical transgressions in marketing. A comparative study of ethics codes in the U.S. and Spain (Guillen et al., 2002) found that although Spanish companies lag U.S.-based ones, there is a steady movement of institutionalizing ethics policies in large Spanish companies. This study noted that codes must be supported by other ethical initiatives like training programs to be effective in organizations. The focus on specific marketing activities within codes has generally been lacking. Murphy’s (2005a) longitudinal research found that selling practices to be covered by over 60 per cent of codes while advertising and product safety ranked at the bottom of thirteen items with only 30 per cent of companies having specific guidance in these areas. Thus, it appears that marketing ethics has not received the emphasis within codes that one might expect.

4.3 Normative Perspectives for Ethical and Socially Responsible Marketing

In a recent article, one of the authors and a colleague (Laczniak and Murphy, 2006) outlined seven basic perspectives (BPs) for ethical and socially responsible marketing. They are:

BP 1: Ethical marketing puts people first.
BP 2: Ethical marketers must achieve a behavioral standard in excess of the law.
BP 3: Marketers are responsible for whatever they intend as a means or ends with a marketing action.
BP 4: Marketing organizations should cultivate better (that is higher) moral imagination in their managers and employees.

BP 5: Marketers should articulate and embrace a core set of ethical principles.

BP 6: Adoption of a stakeholder orientation is essential to ethical marketing decisions.

BP 7: Marketing organizations ought to delineate an ethical decision making protocol.

Although all of the basic perspectives have some relationship to the topics discussed in this paper, we concentrate on two of them here—BP 1 and BP 5. The first BP focuses on the centrality of people in all ethical exchanges and relationships. The foundation in marketing is the revered marketing concept where the needs of the consumer are placed ahead of the needs of the marketer. The upshot of BP 1 is that marketing managers have an undeniable responsibility to society. When marketers treat stakeholders merely as means, they flunk the test of placing people first. The iron law of responsibility that states that when entities, such as marketing organizations, have great economic power and do not exhibit proportionate social responsibility, they will have their power proportionately diminished (Murphy et al., 2005; see also sections 2.1 and 2.2).

These points tie in well with our earlier discussion that identified the centrality of persons/people in all ethical relationships. If marketers are to place people as the focal point of their efforts, they will likely be successful. The discussion of the iron law of responsibility means that more is expected of the larger organizations as we noted in section 3.1. Consequently, Wal-Mart, Tesco, Toyota, Sony and other multi-national manufacturers or retailers (MNCs) should be expected to take the lead in bringing responsible behavior to the markets where they operate.

The other BP that ties in directly with our analysis here is the fifth one. Lacznik and Murphy (2006) state: ‘Marketers who aspire to operate on a high ethical plane should articulate and embrace a cores set of ethical principles’ (p. 164). These principles should address ethical issues concerning the rightness or fairness of various marketing tactics. The first is the principle of ‘nonmalfaeasance’ meaning that marketers should never knowingly do harm when discharging marketing duties. The area of product safety is one where much attention has been devoted over the years. American MNCs have been charged over the years for ‘dumping’ less safe products on lesser developed marketing.
More recently, imports ranging from tires to foodstuffs from China to the US have been criticized for not meeting US safety laws.

The second principle is one of ‘nondeception.’ This principle states that marketers ought to never intentionally mislead or unfairly manipulate consumers. This is obviously consistent with BP 1’s notion of respecting people. Deceptions such as overselling extended warranties, channel stuffing by sales reps and promising more than any product can deliver violate this principle.

Protecting vulnerable segments represents the third principle. Uniquely vulnerable segments include children, the elderly, mentally or physically handicapped and economically disadvantaged consumers. Marketers must always take extraordinary care when engaging in exchanges with vulnerable segments (Brenkert, 1998). The rationale undergirding this particular principle stems from some of the basic tenets discussed previously on human dignity and the doctrines of major religions. Multinational marketers have been criticized over the years for exploiting consumers who lack education or sophistication in the workings of the marketplace. The new focus on the base of the pyramid as a market (Hart, 2005; Prahalad, 2005) will necessitate that marketers take precautions in dealing with these emerging markets.

The fourth essential moral precept for marketing is the principle of ‘distributive justice.’ This principle suggests that there is an obligation on the part of all marketing organizations to assess the fairness of marketplace consequences flowing from their collective marketing practices. The theoretical foundation for the principle of distributive justice is based on the work of John Rawls (1971). The difference principle argues that marketing practices are unethical if, over time, they contribute to the further disadvantage of those market segments that are the least well off. A marketing manifestation of this principle is in the digital divide where low-income consumers both domestically and internationally cannot avail themselves to products and price discounts that are only available through the Internet and e-commerce.

A fifth principle of enlightened marketing is ‘stewardship’ which reminds marketers of their social duties to the common good. Following this principle, marketing managers are obligated to ensure that their operations will not impose external costs on society, especially the physical environment, that result from their internal operations.
Employing illegal immigrants at reduce wages to reduce costs, while knowing that incremental social costs accrue to the community (for example, additional health care, education and law enforcement) is an example of a violation of this principle.

The stewardship principle particularly addresses environmental/ecological responsibilities of marketers. It suggests that marketers have a moral obligation to protect the environment via a socially sustainable pattern of consumption such that damages are not imposed on the ecological system in a way that penalizes future generations. Although some marketing organizations initially looked at the environment as only a promotional opportunity and were guilty of ‘greenwashing’ by touting products of questionable environmental as being compatible such as plastic trash bags, several firms such as Interface and its visionary Chairman Ray Anderson (as well as GE mentioned above) have embraced sustainable practices and changed their product and marketing efforts dramatically (Murphy 2005b).

These two normative perspectives illustrate the fact that ethical precepts such as those outlined in earlier sections of this essay are necessary for changes to occur. To implement these changes, Laczniak and Murphy (2006) offer implications for educators, practitioners, public policy makers and academic researchers.

4.4 Conclusion

Although many other marketing issues such as bribery, branding, selling and product pricing in international markets have ethical and CSR implications, we believe that the concepts and principles discussed above can be applied to these decisions. Marketers now know that expectations regarding the ethical and societal dimensions of their decisions are increasing. This heightened global expectation means that greater scrutiny is given to even everyday marketing decisions. The need for transparency and knowledge that corporate ethical reputation matters are forces marketers should not resist. Thus, we advocate that ethical and CSR issues should play a prominent role in both marketing strategy development and execution in both domestic and international markets.
Endnotes


3. Among the numerous formulations of the Golden Rule we may mention the following:

   In Judaism: When he went to Hillel, he said to him, ‘What is hateful to you, do not do unto your fellow man: that is the entire Torah.’ (Talmud, Shabbat 31a)

   In Christianity: In everything do to others as you would have them do to you. For this is the law and the prophets. (New Testament, Matthew 7:12)

   In Islam: None of you [truly] believes until he wishes for his brother what he wishes for himself. (Forty Hadiths of Al-Nawawi, No. 13)

   In Hinduism: One should not behave towards others in a way which is disagreeable to oneself. This is the essence of morality. All other activities are due to selfish desire. (Mahabharata 13:114:8)

   In Buddhism: Hurt not others in ways that you yourself would find hurtful. (Udana Varga 5:18)

   In Confucianism: Tsukung asked, ‘Is there a single word which can be a guide to conduct throughout one’s life?’ Confucius replied, ‘It is perhaps the word shu--reciprocity: Do not impose on others what you yourself do not desire.’ (Confucius, Analects 15: 23) And: Try your best to treat others as you would wish to be treated yourself, and you will find that this is the shortest way to benevolence. (Mencius VII.A.4)


5. This three-level conception contrasts with the common distinction between the micro- and the macro-levels in economics and sociology in two respects. The individual person is explicitly addressed as moral actor, differing from the decision maker in micro-economics and micro-sociology. Moreover, the business organization is considered a moral actor, too, though of a special nature. This emphasis of the meso-level expresses the enormous importance of organizations in modern societies. Note also the distinction between ‘institutions’ and ‘organizations’ proposed by Robert. Bellah et al. (1992). For instance, the institution of the American corporation attributed to the macro-level includes the essential features of all American corporations (Bellah et al., 1992: 3-18) while an individual American corporation, characterized by those features, is an
‘organization’ at the meso-level, having, in addition, its particular identity, culture, and conduct.
EXHIBIT 1
American Marketing Association Ethical Norms and Values for Marketers

Preamble

The American Marketing Association commits itself to promoting the highest standard of professional ethical norms and values for its members. Norms are established standards of conduct expected and maintained by society and/or professional organizations. Values represent the collective conception of what people find desirable, important and morally proper. Values serve as the criteria for evaluating the actions of others. Marketing practitioners must recognize that they serve not only their enterprises but also act as stewards of society in creating, facilitating and executing the efficient and effective transactions that are part of the greater economy. In this role, marketers should embrace the highest ethical norms of practicing professionals as well as the ethical values implied by their responsibility toward stakeholders (e.g., customers, employees, investors, channel members, regulators and the host community).

General Norms

1. Marketers must first do no harm. This means doing work for which they are appropriately trained or experienced so they can actively add value to their organizations and customers. It also means adhering to all applicable laws and regulations, as well as embodying high ethical standards in the choices they make.

2. Marketers must foster trust in the marketing system. This means that the products are appropriate for their intended and promoted use. It requires that marketing communications about goods and services are not intentionally deceptive or misleading. It suggests building relationships that provide for the equitable adjustment and/or redress of customer grievances. It implies striving for good faith and fair dealing so as to contribute toward the efficacy of the exchange process.

3. Marketers should embrace, communicate and practice the fundamental ethical values that will improve consumer confidence in the integrity of the marketing exchange system. These basic Values are intentionally aspirational and include: Honesty, Responsibility, Fairness, Respect, Openness and Citizenship:

Ethical Values

Honesty—this means being truthful and forthright in our dealings with customers and stakeholders

- We will tell the truth in all situations and at all times.
- We will offer products of value that do what we claim in our communications.
- We will stand behind our brands if they fail to deliver their claimed benefits.
- We will honor our explicit and implicit commitments and promises.
Responsibility—this involves accepting the consequences of our marketing decisions and strategies.

- We will make strenuous efforts to serve the needs of our customers.
- We will avoid using coercion with all stakeholders.
- We will acknowledge the social obligations to stakeholders that come with increased marketing and economic power.
- We will recognize our special commitments to economically vulnerable segments of the market such as children, the elderly and others who may be substantially disadvantaged.

Fairness--this has to do with justly trying to balance the needs of the buyer with the interests of the seller.

- We will clearly represent our products in selling, advertising and other forms of communication; this includes the avoidance of false, misleading and deceptive promotion.
- We will reject manipulations and sales tactics that harm customer trust.
- We will not engage in price fixing, predatory pricing, price gouging or ‘bait and switch’ tactics.
- We will not knowingly participate in material conflicts of interest.

Respect--this addresses the basic human dignity of all stakeholders.

- We will value individual differences even as we avoid customer stereotyping or depicting demographic (e.g., gender, race, sexual) groups in a negative or dehumanizing way in our promotions.
- We will listen to the needs of our customers and make all reasonable efforts to monitor and improve their satisfaction on an on-going basis.
- We will make a special effort to understand suppliers, intermediaries and distributors from other cultures.
- We will appropriately acknowledge the contributions of others, such as consultants, employees and co-workers, to our marketing endeavors.

Openness--this focuses on creating transparency in our marketing operations.

- We will strive to communicate clearly with all our constituencies.
- We will accept constructive criticism from our customers and other stakeholders.
- We will explain significant product or service risks, component substitutions or other foreseeable eventualities affecting the customer or their perception of the purchase decision.
- We will fully disclose list prices and terms of financing as well as available price deals and adjustments.

Citizenship--this involves a strategic focus on fulfilling the economic, legal, philanthropic and societal responsibilities that serve stakeholders.

- We will strive to protect the natural environment in the execution of marketing campaigns.
- We will give back to the community through volunteerism and charitable
donations.

- We will work to contribute to the overall betterment of marketing and its reputation.
- We will encourage supply chain members to ensure that trade is fair for all participants, including producers in developing countries.

Implementation

Finally, we recognize that every industry sector and marketing sub-discipline (e.g., marketing research, e-commerce, direct selling, advertising, etc.) has its own specific ethical issues that require policies and commentary. An array of such codes can be linked to via the AMA website. We encourage all such groups to develop and/or refine their industry and discipline-specific codes of ethics in order to supplement these general norms and values.

References


*The Ethical Corporation*: Report on CSR in Africa (November 2002), Asia (June 2002 and September 2003), China (March 2003), India (April 2007), and Latin America (November 2005).


Social responsibility in marketing can drive consumers toward products and services, enhancing a company's brand as well as benefiting others. Many companies have adopted socially responsible elements in their marketing strategies as a means to help a community via beneficial services and products. Interestingly, the philanthropic practice can be a good business tool as well. The research is plentiful. According to a presentation titled “The Power of a Values-Based Strategy” by Forrester Research, a market research company that advises corporate clients, “some 52% of U.S. consumers factor values into their purchase choices,” seeking brands that proactively promote beliefs and values aligned with their own. Understand business social responsibility and ethics in marketing, including benefits, strategies, and a look at marketing practices to avoid. Though the pursuit of social responsibility and ethical marketing does not automatically translate into increased profit, it is still the responsibility of the firm to ensure it is responsible for its actions and their impact on society. Corporate Social Responsibility (CSR) allows businesses large and small to enact positive change. When companies choose to do what is right not only for their bottom line but also benefit financially while building trust with consumers. Consumers feel that when they use a product or service of a socially responsible company, they are doing their part. The more socially responsible the company, the more supportive the community and consumers become. Corporate social responsibility helps build trust, raise awareness, and encourage social change. One example of this is the reduction in the price of their Pevenar 13 vaccines (for pneumonia, ear and blood infections) for those in need and in situations such as refugees and emergency settings. 8. Wells Fargo. While marketing is done to make profits, social and environmental concerns are usually external to marketers. However, given the numerous social and environmental problems in the contemporary world, marketing can no longer be business as usual or solely to make profits, and instead, marketers must incorporate social consciousness and environmental responsibility in their activities and embed these concerns into the very DNA of marketing. Thus, there is a need for a paradigm shift in the way marketers approach the entire marketing and sales value chain activities. However, this is easier said than done since there is an underlying disconnect between profitability imperatives and being socially and environmentally responsible.