1. Marketing ethics and CSR in marketing: research challenges for the next decade

Gene R. Laczniak and Patrick E. Murphy*

INTRODUCTION

The purpose of this chapter is to share a ‘big picture’ commentary about the status and direction of marketing ethics (ME) and corporate social responsibility in marketing (CSR-M) – two streams of literature that increasingly and synergistically interconnect. There are some dangers in trying to provide a snapshot of any research area in a relatively short space; one must be both selective in the scope of topics discussed as well as attenuated in the depth of treatment provided. But in our constrained attempt to strike multiple themes, we will try to be both historically grounded and forward thinking about what academic marketing researchers can build upon and about what scholars need to be concerned with as they advance investigations into the inevitably merging areas ME and CSR-M research.

To pursue the above theme – marketing ethics and CSR in academic marketing research – we articulate some important ‘strengths’ and some critical ‘challenges,’ each informed by the academic literature. In particular we especially draw on our publications. In addition we rely on the inspiration of other scholarly overviews and analyses separately addressing either ME or CSR-M. However this chapter itself is not a traditional literature review. The comments below reflect mostly our personal assessment regarding various ME and CSR-M issues based upon many years’ experience. For those desiring to quickly get abreast of the current corpus of literature on ME we would refer them to Nill and Schibrowsky (2007) and Schlegelmilch and Öberseder (2010), both excellent reviews of ME work. Similarly for those wishing to familiarize themselves with the body of CSR-M publications we strongly recommend Vaaland et al. (2008) as well as Ferrell et al. (2014).

The main contribution of this particular commentary is to highlight the positive strengths of the increasingly blended literatures of ME and CSR-M as well as point out some critical and challenging areas that seem to demand enhanced scholarly analysis. Before attending to that, some baseline definitions about these two areas would be in order.
MARKETING ETHICS: TWO IMPORTANT DIMENSIONS

Marketing ethics, a subdiscipline of business ethics, is the systematic study of moral standards as applied to marketing decisions, behaviors and institutions (Laczniak and Murphy 1993). ME has two dimensions, positive and normative. Positive ethics describes what marketing managers actually do regarding ethical situations, for example, the number of annual ethical violations per industry code or the percentage of managers in an industry sector who have completed formal ethics training programs. Often positive ethics looks for correlations between variables that appear to influence outcomes such as consumer satisfaction or ethical compliance. Illustrations of questions investigated might be ‘Are consumers more likely to purchase from organizations with good ethical reputations?’ and ‘Are firms with enforced ethical codes more likely to behave ethically?’

Normative ethics prescribes ideal marketing behavior as based on some standard (for example, American Marketing Association (AMA) Statement of Ethics), theory (for example, classical utilitarianism) or framework (for example, the proportionality thesis). Normative ethics often examines the gap between marketing practices and ME ideals. Most of the academic research about ME is ‘positive’ as it charts statistics and/or uncovers empirical regularities between variables of interest (Nill and Schibrowsky 2007; Schlegelmilch and Öberseder 2010). As suggested above, positive ethics seeks to answer important questions such as: Does the existence of an enforced company code of ethics lead to higher customer satisfaction? Or is the presence of ethics training in a company correlated with fewer consumer complaints? Thus positive ethics is essential to the understanding of how marketing managers behave. However normative ethics is also fundamental to the analysis of the marketplace behaviors; only by examining the morality of exchange from differing moral perspectives and ideologies can marketers discern the path forward for improving the responsible practice of marketing. The discipline of moral philosophy, of which ethics is part, is mostly about normative claims and standards. The point of keeping in mind the positive/normative distinction about two forms of ME research is that both are necessary to fully understand whether marketing practitioners are meeting their full societal and fiduciary obligations.
STRNGTHS: POSITIVE DEVELOPMENTS IN MARKETING ETHICS AND CSR RESEARCH

One of the real pluses regarding research in ME is the explosion in (positive) empirical research over the past 25 years. When we took stock of the ME scholarship in the early 1980s we were dismayed at the lack of systematic ethics investigation (Murphy and Laczniak 1981). Now there is a rich literature consisting of 600 or more empirical studies with a distinct ME dimension. Much of this work was triggered by the formulation of positive (or descriptive) theoretical models of ME such as Ferrell and Gresham (1985) and Hunt and Vitell (1986), which gave researchers frameworks for organizing their explorations of variables influencing ethical decision-making. As a sidebar it is worth noting that the two articles listed immediately above are not just among the most cited in ME but in all of academic marketing. Importantly, multiple empirical studies building on these frameworks have begun to establish a baseline of statistical tendencies useful to marketing managers (see Fritzche 2005; Kliukinskaite-Vigil 2012 for reviews), such as the following. (1) Top management attitudes (especially those of the chief marketing officer/vice president of marketing) are essential in establishing an ethical marketing climate in the organization. (2) A marketer’s response to an ethical issue typically differs depending on the type of dilemma faced by the manager. (3) Behavioral dispositions among managers (such as individualism versus collectivism) will shape divergent reactions to ethical questions. (4) A marketer’s home culture influences their response to ethical issues even when they operate outside their home culture. (5) A relevant code of ethics seriously implemented by the organization positively affects ethical behavior.

Similar progress toward empirical understanding has been made in the realm of CSR-M, although the approaches have been somewhat differently inspired. With CSR-motivated research, scholars have gravitated to key social issues in marketing that need to be addressed (Wilkie and Moore 2006). Examples of such areas reflecting the interface of marketing practices and societal impacts include bribery and corruption in developing markets, the fast food/junk food connections with childhood and adult obesity, consumer privacy, selling to impoverished markets, as well as various strategies connected to social and environmental sustainability.

As all of this work has unfolded, an increasing integration of the literatures of CSR with ME has occurred. Not surprisingly the more general CSR scholarship in the management literature often evolved to include an off-shoot that explored the specific societal responsibilities that accrue to the marketing function of the firm. While the following distinction between ME and CSR-M might be imperfect, it could be persuasively
argued that ME research is focused on managerial, individual leadership aspects of decision-making, while CSR-M takes a more organizational, corporate-culture approach to social issues. However there clearly is at least one common denominator between the two perspectives and that linkage is stakeholder theory. Anchored in mainstream marketing theory, the consumer as stakeholder is always given an elevated primacy in ME (Laczniak and Murphy 2006b). Over time ME expanded its focus to include the impact of marketing decisions on other stakeholders. Alternatively CSR-M began with broader societal inquiries into the secondary effects of business operations but soon arrived at examining the moral claims of specific stakeholders as its essence, including employees, consumers and society as affected by marketing (Maignan and Ferrell 2004; Ferrell et al. 2014).

Here is a working definition of CSR-M that puts stakeholders and responsiveness to their concerns at the center of that research stream:

Corporate societal responsibility in marketing encompasses: balancing the legitimate demands of stakeholders (namely customers, employees, environment, suppliers/dealers, (local) community and shareholders); accepting accountability for marketing decisions; and integrating moral and societal obligations into the firm’s marketing activities. (Murphy et al. 2013, p. 92, emphases added)

It is also likely accurate to state that the cross-fertilization of literatures in ME and CSR/marketing first blossomed in Europe. For example, the influence of various articles in European-based journals such as Maignan et al. (2005) and Burchell and Cook (2008) spread west across the Atlantic. Still much structural segregation of research remains with a sizable portion of the ME scholarship appearing in general business ethics journals (for example, Smith et al. 2010) and some of the recent CSR-M work predictably targeted for management outlets (for example, Caruana and Crane 2008).

That said, yet another connected and positive development, besides stakeholder theory, linking ME and CSR considerations together is the growth of sustainability related research as a megatrend. This literature with its multifaceted explorations often draws on both the ME and CSR perspectives and finds placement in a wide variety of journals. For instance, a special issue of Journal of Macromarketing (edited by McDonagh and Prothero 2014), provides several investigations that draw on both literatures. Sustainability related questions are currently a dominant academic research trend that is rooted in the insights of both the traditional ME as well as CSR-M literatures (Kilbourne et al. 1997; Murphy 2005).

Our reference to sustainability addresses another point: marketers interested in questions central to CSR-M are digging deep into other discrete
issues such as the connections between marketing practices and obesity (Moore and Rideout 2007), the special obligations owed to impoverished consumers in developing markets (Santos and Laczniak 2009) and the various regulatory obstacles and public policy adjustments required to mitigate the role of corruption in the economic exchange process, especially in developing markets. All of these issues are generating a substantial research stream along with welcome academic analyses and insights.

CHALLENGES: NEEDED INTELLECTUAL DEVELOPMENT FOR MARKETING ETHICS AND CSR RESEARCH IN MARKETING

While so many promising issues are now investigated and written about in the literatures of CSR-M and ME, our ‘big picture’ overview would not be complete without listing what we see to be the major categories of issues requiring additional analysis and discernment by scholars interested in this merging sector of research. Below we very briefly call for: (1) the refinement of ‘hard form’ stakeholder theory; (2) the greater development of normative ethical frameworks including consensus hyper norms for marketing; (3) more attention to empirical replication in ME and CSR-M scholarship; (4) a broader appreciation for critical marketing studies; (5) investigations of the danger to consumer privacy from ‘big data’; (6) the health and safety of consumers and supply chain participants; and (7) the expanded role of ME and CSR-M education in B-school instruction.

Stakeholder Theory

The emergence of ‘stakeholders’ as the logical link between ME and CSR in marketing scholarship – noted above – is not without its shortcomings. The analysis that has been conducted of stakeholder management in both literatures has too often been purely instrumental; that is, stakeholder accommodation is seen mostly as a financial pathway to higher corporate profits. The progressive view of stakeholder equality as an aspirational ideal (Ferrell and Ferrell 2008) has seldom been adhered to by managers operating in a bottom-line obsessed economy. Writing in the Journal of Public Policy & Marketing about the bulk of stakeholder focused articles in marketing, Laczniak and Murphy (2012) delineate the instrumental stakeholder approach that typically takes the following form: (1) treating employees well in order to increase the likelihood of qualified labor working at your firm; (2) satisfying customers because customer retention is cheaper than customer development; (3) producing safe products
because litigation is expensive; (4) striving to avoid major damage to the ecological environment in order to forestall further regulations.

In such instances the prime motivation for accepting stakeholder theory is conditional upon the firm improving profits. So what is the alternative to stakeholder theory as a ‘unifier’ for ME and CSR-M scholarship? Consistent with Bhattacharya and Korschun (2008), Laczniak and Murphy (2012) argue that a societally inspired model of stakeholder theory must be ‘hard form,’ that is, pro-environmental and pro-social in addition to representing the interests of owners and customers.

Such ‘hard form’ conceptions of stakeholder theory imply that marketing managers are not only agents for company owners (that is, profit oriented) but also stewards for society with a professional responsibility to take a societal perspective (that is, people and planet) when assessing the likely externalities upon stakeholders of their selected marketing strategies. Put differently, ‘hard form’ stakeholder theory is an emergent alternative to the traditional purpose of the firm being (merely) to maximize profit at the company level. It instead conceives of the purpose of a responsible marketing firm as earning a competitive return on investment (ROI) for shareholders while always acting in an accountable and socially sustainable manner without causing damage to the physical environment or social exploitation of stakeholders (Laczniak and Murphy 2012).

Normative Ethics

Another caution sounded both in literature reviews on ME, and implied by Wilkie and Moore (2003) in their historical articulation of the eras of marketing, is the relative lack of normative ethical analysis and frameworks to be found in recent ME publications. Here is what Nill and Schibrowsky (2007) write, especially concerning the past 20 years, based on their 50 year review of the ME literature:

> the analysis of fundamentally normative questions in marketing ethics is under-represented in the literature. It seems like the hard work of articulating and justifying professional standards – the ultimate point of having practitioner ethics – is often neglected . . . This may help explain why micro/positive work is much more prevalent in the discipline, because creating the logic chain for what the ‘proper ethical standard’ might be . . . is so difficult. (p. 272)

Clearly one reason that such efforts have been avoided in the ME and CSR-M scholarship is that it is difficult to assert what exactly constitute guiding hyper norms in an increasingly diverse and global marketplace. Any marketing academic who has taught diverse groups of MBA or Executive MBA students knows that any assumptions about them holding
common ethical values concerning business practice is likely flawed. However, as a partial counterpoint to this view, Laczniak and Kennedy (2011), using content analysis, examined seven different global codes of ethics for corporations and ascertained there to be at least three common hyper norms in all the codes: (1) genuine responsiveness to stakeholders; (2) a comprehensive sustainability orientation, that is, ecological and social sustainability; and (3) compliance with the letter and spirit of the law. Such a perspective regarding hyper norms, because it posits some moral absolutes, is consistent with Integrated Social Contracts Theory (ISCT) and augers for greater use of this approach in marketing analysis (Dunfee et al. 1999).

An important element of ISCT is to have rules that allow for the creation of a ‘moral free space’ so as to permit diverse cultural values to operate, while at the same time not allowing for ‘major harm’ to stakeholders that could be a violation of the firm’s core ethical precepts, that is, hyper norms (Donaldson and Dunfee 1999). For example, in certain cultures small grease payments might be provided to mid-level functionaries to perform required duties when such gratuities are customary but without engaging in wholesale bribery to secure special contracts. Or perhaps greater latitude for gift-giving might be allowed in cultures where such social exchanges are traditional. Precisely what all these limited moral free spaces would be is a matter for negotiation among stakeholders, but ongoing dialogue among central participants in the global marketplace nevertheless suggests some core values, that is, hyper norms, always exist and should not be violated. Interestingly Laczniak and Kennedy (2011) contend that the specification of such global values for worldwide business operations actually reduces organizational uncertainty by making it clear to management what the limits of ‘unethical’ and/or ‘socially irresponsible’ behaviors would be.

The continued discussion by marketing professionals concerning the nature of disciplinary ethical norms appears central to improved marketing conduct. The literature reviews on ME (noted earlier) mention the relative lack of programmatic analysis that develops normative ethical theory. Of course there have been some exceptions to this trend (Murphy 2010). While utilitarianism (both classical and economic), deontology, virtue ethics and other historically famous frameworks certainly have their role, business scholars need to give greater attention to relatively newer normative thinking such as Rawlsian ‘justice as fairness’ (Laczniak and Murphy 2008), Sen’s ‘capability theory’ (2009) and the ‘dialogic communitarianism’ of Habermas (Nill 2003) to name a few perspectives that are underdeveloped in marketing.
Empirical Replication

Yet another growing concern, looking to needed research in the general realm of ME and CSR, stems from the type of research conducted as well as the confidence that (other) researchers can have in the published results. Central here is the fact that many of the positive/empirical articles on ME are ‘one-offs,’ often based on student samples whether undergraduate or MBA business students. Not only is there the obvious problem of sample generalizability but also that these empirical ME studies and, for that matter, many CSR-M approaches have not been replicated. The ‘research replication problem’ (Neuliep 1991) is not unique to ethics/CSR issues – it currently rages in social psychology – but can be especially thorny because such ME/CSR-M research is contributory to the formation of company or public policy. Public policy shifts that culminate in government regulation can superimpose a huge compliance burden on all companies in an industry sector or beyond (Wilkie and Moore 1999). Marketing scholars must take greater care to get their conclusions right and a replication tradition is one step to do that.

A related issue is that many ethics-based investigations in marketing use short scenarios based on student samples, a problem noted above. The criticism here is not with the technique but that the scenarios are too many (one study had 20 scenarios) or too few (one or two) or too old (scenarios developed 10 or 20 years ago). If the researcher uses scenarios in an experimental fashion with practitioner groups, valuable and generalizable information can be gained. Such experimentation might study recent ethical issues such as internet selling, privacy on the web, and online surveys. A final area of concern is the testing of narrow theoretical propositions. In the 1990s much empirical research was undertaken to test various aspects of the Hunt and Vitell (1986) model. Some of this research was outstanding (Hunt and Vitell 2006) but other studies (often presented at academic conferences) seemed to focus too narrowly on very limited aspects of that or other models. The assessment made several years ago bears repeating here:

While it is quite difficult to operationalize generalized theories and models, some marketing scholars have been content to investigate such overly narrow propositions and theories that the outcome of their work is marginalized. The field of marketing ethics seems increasingly to be using the same narrow lens that has characterized much of the consumer behavior research over a prolonged period . . . The work of marketing ethics can [better] impact the practice of marketing if researchers keep in mind that they are not engaged in just a narrow academic exercise. (Murphy 2002, p. 171)
Another important emergent development is the unapologetic and unvarnished examination of extant marketing knowledge as well as critiques of the machinations of the current marketing system. The set of collective commentaries to which we refer here is sometimes labeled ‘critical marketing studies’ (CMS). As Dholakia (2012) has noted, ‘critical marketing studies’ elude exact definition but certainly they involve viewing marketing phenomenon with interdisciplinarity, historical perspective, macro-orientations and open-minded interpretations. Ethics and CSR scholars (and all marketing academics for that matter) should welcome critical marketing studies in the spirit of truth-seeking, transparency and disciplinary growth. But not all marketing thinkers see CMS in this mode. Aware of the delicacy of comments that cannot be permissively footnoted, we offer what one well-known academic of our field remarked (approximately) in a private conversation: ‘These critical marketing folks are nothing more than self-hating marketers. They refuse to acknowledge the enormous force for wealth creation and economic progress that modern marketing makes possible. They ought to withdraw from the marketing discipline if they despise it so much instead of trying to blow everything up.’ In contrast to such ‘all-is-well-with-the-world’ views, in our opinion, CMS actually presents a complementary and overlapping approach with CSR and ethics scholarship in marketing. It can shed novel perspectives on escalating marketing costs, the perennial exaggeration of product/service benefits, customer manipulation, the exploitation of vulnerable market segments and other long-standing marketing problems that have continued with chronic pathology for many, many decades (Tadajewski and Saren 2009).

Privacy

We are hopeful that those of us interested in ME and CSR-M, along with our CMS colleagues, will spend more time examining one of the most pressing and relatively newer marketing-aided and abetted problems – ‘big data’ and its concurrent abuse of consumer privacy (Cukier and Mayer-Schoenberger 2013). In our opinion consumer and citizen privacy will be to the twenty-first century what women’s rights and civil rights were to the twentieth century. Marketers have been at the cutting edge of expanding and utilizing big data and have fostered an often disingenuous PR narrative about its inherent usefulness for buyers as well as its steadfast protections (Laczniak and Murphy 2006a). The preferred party line is that consumer data is being gathered only to improve customer satisfaction.
Like so much propaganda, that is but one part of the story. The practitioner marketing establishment crafts and repeats a false narrative that insists that consumers are served by ‘volunteering’ their personal information, that this information is merely an extension of the perennial buyer–seller dialogue, that the stored data is used simply to satisfy clients better and that all this information is scrupulously guarded. Instead, increasingly we learn that consumer databases are poorly protected; that personal information is sold and shared in networks far beyond consumer comprehension; that our most private information (for example, credit scores, medical histories, web browsing records) are aggregated into individual behavioral profiles that exist in electronic dossiers on the servers of multiple companies and that such information is being used to nudge, impel and even manipulate our purchase decisions. Ironically so much electronic tracking and data-gathering about consumer habits can be utilized to reduce consumer choice, leverage information in favor of the seller, jeopardize safety (for example, via identity theft) and lay the groundwork for future misunderstandings, mischief or worse. Even more troubling is that these consumer profiles are endlessly copied and resold such that any data inaccuracies will persist without the possibility of correction. The required ethics/CSR research agenda concerning this item alone could justify a full paper’s treatment and an army of researchers.

Health and Safety of Consumers and Supply Chain Participants

In addition to the sale of unhealthy products that contribute to obesity, there are other health and safety concerns that affect both consumers and supply chain members. The selling of unsafe products appears to be growing throughout the world. Toys were marketed to first world consumers that contained dangerous lead-based paint applied in the Chinese production facilities to save money. Meat, produce and even peanuts have been recalled in the last several years in the United States. The US Food and Drug Administration is over-worked and under-staffed to handle all the complaints it receives. ME scholarship is needed to ‘sort out’ some of these emerging safety issues and get beyond the superficial rhetoric in the media on these topics. Both conceptual and empirical works are necessary to gain a more complete understanding of how product safety is understood by consumers and marketers in the twenty-first century.

For example, most clothing products that are sold by first world marketers and retailers are made in factories in the developing world under often unsafe working conditions. Some of the issues pertaining to this topic have been examined by Smith et al. (2010). The problems of subcontractors cutting corners to produce cheap merchandise came to a head when the
Rana Plaza factory collapsed in Bangladesh and killed over 1100 workers in April 2013 (Clifford and Greenhouse 2013). Although both European and American retailers have proposed comprehensive safety plans to at least partially alleviate these serious problems, academic researchers need to engage in independent analyses of these practices. One of the chapter authors is currently involved in a project on ethics and supply chains. Even before the Rana Plaza tragedy, he found almost half of the large US-based large retailers he contacted were unwilling to be interviewed on this subject. Much more ‘transparency’ and serious academic study is needed by scholars to better delineate the complexity of the issues faced in these supply chains and how macro issues such as human rights and a living wage might be addressed.

Ethics Education

And finally we come to the question of ME and CSR-M education in business schools. Part of the reason that these topics are neglected by too many business managers is that they are also underrepresented in B-school curricula. Business educators generally avoid macro-social questions – leaving that realm perhaps to philosophers and sociologists. And those business educators truly concerned with social questions have not done enough to challenge the dominant ideology of impersonal ‘free market’ economics that saturates business curricula. At best, CSR and ethics concerns are segregated into a single (often disrespected) course unit; at worst, these issues are weakly ‘integrated’ across the curriculum only to be ignored by many academic staff in the interests of time or in favor of prevailing ideology, that is, the business of business is to maximize profit and CSR is a dangerous doctrine (Laczniak and Murphy 2005). As some ethicists have observed, after attending MBA programs our student wards have been ‘Whartonized’ – consumed with the idea of maximizing shareholder value. A major study by the Aspen Institute (2002) forcefully documented this a decade ago. In that eye-opening study a before/after survey of 2200 MBA matriculate/graduates demonstrated the shift from product innovation/customer satisfaction as guiding ideals to one where maximization of ROI for owners was primary (Aspen Institute 2002).

To counter this trend those involved in social-ethical marketing research need to nurture a broader perspective of responsible integrity focused business leadership that fosters a more conscious capitalism. Even some of our students may have got in front of us academics on this issue, to our shame as educators. A recent study by the IBM Institute for Business Values (2013), based on a major survey of business students worldwide, as well as C-level corporate executives, finds that one of the greatest differences
in perception between the two groups (over a variety of issues such as job skills and leadership qualities) is that today’s millennial students value the importance of CSR and ethics as more necessary to achieving future business success than top executives do (76 percent versus 44 percent). In this regard it would seem that business educators simply need to do more to cultivate the societal implications of marketing actions.

CONCLUSION

To summarize, our brief review of issues in ME and CSR-M reveals a nuanced landscape filled with obstacles and challenges but also seeded with opportunities for business researchers. Marketing scholars are in a great position to highlight and promote ethics and CSR in marketing as we march into a more complex and dynamic competitive landscape. Based on current rates of progress we are confident that, aided by the melding of ME and CSR-M literatures, marketing scholars will be up to the task of better clarifying what needs to be done to create a more ethical and socially responsible business environment.

NOTE

* A version of this chapter was originally presented as an address by Gene Laczniak at the University of Notre Dame’s Nanovic Institute 2013 Symposium on International Marketing Ethics and Corporate Social Responsibility, London, April. P.E. Murphy, chair and organizer.

REFERENCES


Kliukinskaite-Vigil, V. (2012), ‘The effect of home and host country cultures on marketing managers’ individual decision making related to ethical issues in MNCs’, Doctoral Dissertation No. 44, University of Agder, Norway.


