Litterature Review: Ethics in Marketing

by

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I INTRODUCTION

Corporate culture is a multifaceted construct. For example, in describing corporate culture, Goffman (1959, 1967) focused on the the observed behavioral regularities in people's interactions, Homans (1950) wrote of the norms that evolve in working groups, Ouchi (1981) stressed the philosophy that influences organizational policy, and Van Maanen (1976) emphasized the rules for getting along in an organization. More recently, corporate culture has been defined as the assmption, beliefs, goals, knowledge and values that are shared by organizational members (Deal and Kennedy 1982) Though values, according to this view, are but one dimension of corporate culture, they have been theoretized to be highly influential in directing the actions of individuals in society in general and organizations in particular (Rokeach 1968, 1973; Yankelovich 1971, 1981). For society, values help to define the "core" of people - what they love, hate, or are just indifferent to. They help to explain why people make sacrifices and what they are willing to give up to attain goals. Value encompass a larger view of what people are, can be, and will become (Mitchell 1971). For an organization, values serve to convey a sense of identity to its members, enhance the stability of its social system, direct managers' attention to important issues, guide subsequent decisions by managers, and facilitate commitment to something larger than self (Deal and Kennedy 1982; Smircich 1983).

Organizations may have many values that are distinctly marketing in character - for example, values that guide product and service quality, advertising content, selection of distribution channels, and treatment of customers. However, underpinning all of these specific values are corporate ethical values. These values help establish and maintain the standards that delineate the "right" things to do and the things "worth doing" (Jansen and Von Glinow 1985). In turn, such ethical standards can influence individuals' choices and lead to actions that are desirable to organizations (Conner and Becker 1975). More specifically, when the ethical standards / values of an organization are widely shared among its members, organizational success will be enhanced (Badovick and Beatty 1987; Keeley 1983). As Peters and Waterman (1982) point out in their study of excellent companies, virtually all the superior performance firms have at the core a well-defined set of shared values, particularly ethical values.

The purpose of this article is to review the ethics research, particularly marketing ethics and its implications to marketing management, which has recently drawn lot of people's attention (chapters II and III). This paper examines two studies more closely, the other by Chonko and Hunt (chapter IV) on ethical issues in marketing management, and the other by Mayo et al. on ethical problems in international marketing (chapter VI). In addition, litterature on unethical salesforce behavior will be reviewed and a case study from Finnish hearing instrument business presented (chapter V). Finally, chapter VII concludes and presents suggestions for future research.

II ETHICS RESEARCH

Over the history of the study of ethics, Solomon (1984) claims one paradigm has motivated philosophers - the idea that there exist a correct theory of ethics - that the goals, ideals, rules and principles governing behaviour do, in fact, form a coherent and comprehensive system, which is the purpose of ethics to understand. He states that it is not possible to say anything at all about ethics and not betray one's own views and perspective.

The proposition that ethics and morality bear some sort of relationship is acknowledged; however disagreement exists as to the nature of this relationship. Thilly (1900) posits that the subject matter of ethics is morality, while Solomon (1984) disagrees, claiming it is a broad-ranging as human behaviour itself, and that morality is a subset of ethical rules that are of particular importance, consisting of the most basic and inviolable rules of society. Barry (1985) states that the study of ethics involves a search for what constitutes morally right human conduct, though he claims it is more accurate to use morals to refer to conduct itself and ethics to refer to the study of moral conduct or to the code it follows.

1.0 Marketing Research

Marketing has long been charged with ethical abuse because (in part) marketing managers face some of the most troublesome ethical problems in business (Cox 1965). Baumhart (1961) identified the major ethical problems that business people wanted to eliminate: (1) gifts, gratuities, bribes, and "call girls," (2) price discrimination and unfair pricing, (3) dishonest advertising, (4) miscellaneous unfair competitive practices, (5) cheating customers, unfair credit practices, and overselling, (6) price collusion by competitors, (7) dishonesty in making or keeping a contract, and (8) unfairness to employees and prejudice in hiring. Note that five of the eight most important ethical problems have to do with marketing activities. Brenner and Molander (1977) conducted a follow-up study and found the same set of undesirable practices.

In other studies related to marketing, Crawford (1979) presented 20 scenarios associated with marketing research practices such as: use of hidden tape recorders, use of fictitious company names, distortions by marketing vice-presidents, and use of one-way mirrors. Akaah and Riordan (1989) replicated Crawford's study to find whether significant changes in ethical judgement have occurred since that original study.

Dornoff and Tankersley (1975) studied differences between consumers and retail, speciality, discount and department store managers. They also used a scenario approach that utilised 14 situations containing potential buyer-seller conflict. Levy and Dubinsky (1983) did a related study where they examined a methodology for studying retail salespeople's ethical perceptions, to help retail managers in developing policies to address salespeople's ethical concerns.

In studies related to the perceptions of purchasing managers, Rudelius and Bucholz asked purchasing managers to react to 13 scenarios. These were developed through personal interviews with purchasing agents. An adapted survey was used to assess perceptions of industrial buyers by Dubinsky *et al.* (1980). Dubinsky and Gwin (1981) compared industrial buyers and sellers, using the studies of Rudelius and Bucholz (1979), and Dubinsky *et al.* (1980). Other marketing studies have dealt with advertising ethics (Krugman and Ferrel, 1981) and ethics research on students' perceptions (e.g. Hawkins and Cocanougher 1972; Dubinsky and Rudelius 1980).

III ETHICS AND MARKETING MANAGEMENT

1.0 The Nature of Ethical Problems in Marketing Management

1.1 Ethical Conflict

Ethics can be viewed in terms of the needs of the individual and the needs of relevant others. The value system of each individual consists of perceived sets of obligations toward others. Bartels (1967) identifies numerous groups (relevant others) that influence ethical decision-making. Members of these groups occupy distinct role positions and their expectations influence ethical standards.

Ethical conflict occurs when people perceive that their duties toward one group are inconsistent with their duties and responsibilities toward some other group (including one's self). They then must attempt to resolve these opposing obligations. For example, suppose a manager learned that a supervisor had bribed a customer. The interests of self, supervisor, corporation, customer, and society may conflict. Some of the ways that a manager might handle this situation include: (1) resigning his/her position, (2) informing the customer's management, (3) informing his/her supervisor's management, (4) directly confronting the supervisor, or (5) doing nothing. The managers choice of action will determine which interests are satisfied and which are not. None of the alternatives can satisfy all the interests of all parties. Bartels (1967) states the nature of ethical conflict:

In a pluralistic society not one but many expectations must be met. Therefore, resolution of what is right to do produces a balance of obligations and satisfactions. Ideally, full satisfaction of the expectatioins of all parties would constitute the most ethical behavior. This is impossible, for expectations are often contradictory and sometimes exceed social sanction. Therefore, skill and judgement must be used to guide one in determining the point at which his own integrity can be best maintained.

2.0 Management Actions

Many of the previous writers have proposed that top management activities can help reduce ethical conflicts experienced by employees. They usually draw three conclusions. First, top management can serve as a role model by not sending ambiquous messages (i.e., verbally endorsing one set of standards while practicing another). Second, top managers should discourage unethical behavior by promptly reprimanding unethical conflict. Third, corporate and industry codes of conduct should be developed, and enforced.

Concerning the actions of top management, several writers have stated that top manegement sets the ethical tone for an organization. Weaver and Ferrel (1977), in their study, called upon top management to "establish a policy as well as express a commitment to ethical conduct." In a later paper, they (1978) concluded that "top management must assume at least part of the responsibility for ethical conduct of marketers within their organization." The authors went on to state that top management must establish and enforce policies, thereby developing a frame of reference for ethical behavior. Similarly, Kaikati and Label (1980), in their examination of American bribery legislation, concluded that "no code of ethical behavior is likely to be observed unless the chief executive officer declares that violators will be punished. When a company fails to take strict disciplinary action, many employees assume that their unethical acts are accepted standards of corporate behavior".

3.0 Codes of Business Ethics

Codes of ethics have also been suggested as a means to attain high ethical standards in business. The American Marketing Association (AMA) has a general code of ethics for marketers. Similarly, many major corporations have also developed codes of ethics.

3.1 The AMA National Code of Ethics

The American Marketing Association National Code of Ethics is reproduced next (Courtesy of the American Association, Chicago, IL):

"As a member of the American Marketing Association, I recognize the significance of my professional conduct and my responsibilities to society and to other members of my profession:

(1) By acknowledging my accountability to society as a whole as well as to the organization for which I work.

(2) By pledging my efforts to assure that all presentations of goods, services, and concepts be made honestly and clearly.

(3) By striving to improve marketing knowledge and practice in order to better serve society.

(4) By supporting free consumer choice in circumstances that are legal and are consistent with generally accepted community standards.

(5) By pledging to use the highest professional standards in my work and in competitive activity.

(6) By acknowledging the right of the American Marketing Association, through established procedure, to withdraw my membership if I am found to be in violation of ethical standards of professional conduct."

IV EMPIRICAL EXAMINATION OF MARKETING ETHICS

1.0 A Study by Chonko and Hunt

The research conducted by Chonko and Hunt (1985) has been one of the most interesting studies directed at the determination of major ethical problems. The purpose of their study was to report on the kinds and extent of ethical problems faced by marketing managers. Their study empirically examined four research questions:

(1) What are the major ethical problems confronting marketing managers?
(2) To what extent does the AMA code of ethics address the major ethical problems of marketing managers?
(3) How extensive are the ethical problems of marketing managers?
(4) How effective are the actions of top management in reducing the ethical problems of marketing managers?

1.1 Ethical Problems

The ethical problems described by respondents were coded according to the issues and conflicts involved. Two independent judges coded all the responses. Table 1 displays the results concerning ethical issues and conflicts. The two ethical issues (i.e. problems) most often cited by marketing managers were bribery and fairness (table 1). Other issues frequently cited were those concerned with honesty, pricing, product strategy, and personnel policies.

Table 1. Ethical issues in Marketing Management

Rank	Issue	Frequency	%
1	Bribery	41	15
2	Fairness	40	14
3	Honesty	33	12
3	Price	33	12
5	Product	32	11
6	Personnel	29	10
7	Confidentality	13	5
8	Advertising	12	4
8	Manipulation of Data	12	4
10	Purchasing	8	3
	Other Issues	28	10
		281	100

Bribery

The gategory of bribery accounted for 15 % of all responses and includes items such as gifts from outside vendors, "money under the table" and payment of questionable commissions. Many of the bribery situations involve a marketing manager facing the following conflict situation: accept (or do not offer) a bribe and the corporation prospers, reject (or do not offer) a bribe and the corporation suffers.

Fairness

This category includes activities such as the manipulation of others in order to accomplish tasks, inducing customers to use services that are not needed, taking credit for the work of others, and unfairly placing corporate interests over family obligations.

Honesty

Honesty was the third most frequently mentioned ethical problem. This category of activities includes the misinterpretating of services and capabilities, witholding data which might enhance the sale of a competitor's product, lying to customers in order to obtain orders, and withholding information that might be detrimental to the company. The conflict between the corporate interests and customers' interests as well as the problems with supervisors are often identified by those concerned with honesty.

Pricing

Issues related to pricing include differential pricing, contract pricing, meeting competitive prices, charging higher prices than firms with similar products while claiming superiority, and pricing to present versus non-customer.

Product

Product often involves conflict between corporate and customer interests. Problems include here products that do not benefit customers, product and brand infringement, product safety, and exaggerated performance claims.

Personnel

Ethical issues relating to personal matters are not specific to marketing, except for the salespeople's behavior. Hiring, firing, and employee evaluation causes the most concern.

Confidentiality

This issue arises from temptations to use or obtain information that may be classified, secret, or competitive in nature.

Advertising

Most of the problems in advertising centers around misleading customers. Advertising can, for example, create the perception of product performance which isn't present in the product.

Distortion

The category of distortion includes incidents involving falsifying figures or misusing statistics or information. Lower level management might, for example, adjust the numbers to please the higher levels of management.

Purchasing and other issues

Ethical issues of reciprocity and the selection of suppliers are often mentioned here. Other ethical problems include abuse of office, compromising personal beliefs, conflict of interest, and goal setting.

1.2 Extent of Ethical Problems

The results by Chonko and Hunt indicated that 14% of the marketing managers agreed that there are numerous opportunities for managers by their respective firms to engage in unethical behavior. A much smaller percentage (12%) of these managers agreed that managers in their respective firms "often" engaged in unethical behaviors. Comparable figures for industry opportunities and frequency of behavior are much higher. Of the sample, 56% agree that there are many opportunities for managers in their industry to engage in unethical behavior, while 26% reported that managers in their industry frequently engaged in unethical behaviors. However, only 8% of the marketing managers believed that generally unethical behaviors lead to success in marketing.

Chonko and Hunt's preliminary analysis indicated that four demographic variables were significantly related to the extent of ethical problems: (1) the respondent's title, (2) the respondent's sex, (3) the size of the respondents firm, and (4) the respondents major field of study. Briefly, presidents and vice-presidents were less likely to see ethical problems than their counterparts at lower levels in the organization. Similarly, males reported fewer ethical problems than females. Respondents employed by large firms were more likely to see ethical problems than respondents employed by smaller firms. Finally, respondents who have technical backgrounds reported fewer ethical problems than their colleaques with background in business, the social sciences, humanities, or other areas.

1.3 The AMA Code of Ethics

The AMA code has sections which, in some way, address the issues of honesty, fairness, product strategy, and advertising. similarly, four key parties to potential ethical conflicts are identified: the corporation, society, customers, and marketing managers. No section specifically addresses bribery, pricing strategy, personnel decisions, confidentiality, manipulation of data, or purchasing. However, the document is sufficiently vague to allow other interpretations. For example, bribery could be interpreted as being addressed in Point 4 of the AMA code.

2.0 Ethical Conflicts in Finnish Hearing Instrument Business

Ethical problems in marketing in hearing instrument business arose as it was found out that there was hardly any competition in the business (Petäjävaara 1992). Petäjävaara's study indicates that other means and factors than competitive determine the market prices for hearing instruments. The closed and shared market situation had resulted from the lack of profit-orientation of the hospitals and medical centres that provided the hearing instruments, the small size of the market, and the small number of decision-makers - doctors and hearing assistants - in the purchasing process of hearing instruments. This had led to the need to break the situation, where patients have no possibility to chooce his or her hearing instrument. Now, AP Medical Hearing Ltd as an importer and an American 3M as a manufacturer of hearing instruments wish to inform the hearing impaired persons about the freedom of choice and, at the same time, offer them an instrument which provides, thanks to recent technological advances, a better hearing quality as ever before. 3M's recent innovation is a hearing instrument, which can be programmed directly with the help of a PC, records the hearing impaired's earlier use of the instrument, and has the superior level of hearing compared to other brands. Instead of having a manual volume control, the instrument includes eight different situations in everyday life, all of which have been programmed in the instrument beforehand. The patient only needs to choose the suitable one.

Informing is commonly accepted by the doctors and hearing assistants in the business to a small extent, but when someone suggests an open advertising campaign about the hearing instrument, a srong opposition arises. The director of the hearing centre in Helsinki University Hospital opposes the idea of advertising as immoral, unethical, and totally unacceptable towards the hearing impaired person. Other doctors mainly agrees with him. Their argument is that the hearing instruments should be considered equal to prescription medicine, which is not allowed to advertize in Finland.

From the preceding discussion, It is apparent that there exist complex ethical questions in the hearing instrument business. The medical personnel that tries to prevent the free passage of information to hearing impaired criticizes the importer and manufacturer as unethical and immoral. On the other hand, would it be unethical to inform the hearing impaired about the technical development of hearing instruments. And on the other hand, would it be ethical to let maintain the current shared market situation and accept foreign trips of doctors and hearing assistants - provided by the importers - which formally include education and training? In addition, is it allright to ask the importer for personal benefits in the form of services and other things?

It is not ethical to make decisions, which, at the same time, prevent and harden the normal competition. What is sure is the fact that seldom a doctor or a hearing asistant has true management capabilities to make reasonable and objective decisions. Of course, the level of objectivity varies depending on the hospital and the decision makers. Nevertheless, the actions and activities, in many parts, are unquestionable in hospitals. Due to economic recession, which has also reached the hospitals, the ethical aspects and questions are gaining more focus in hearing instrument business (and generally in medical business). Therefore, pressure to make rational decisions in the field is higher than ever.

Investigation of ethical questions inside the organization only does not give proper answers and solutions in every case. A neutral investigation organization, or a committee should be set up to handle the ethical and immoral questions. Investigations should be conducted systematically and involve also smaller business fields, such as the hearing instrument business. The current ethical committee supervises mainly single bigger matters forgetting narrow fields of specific knowledge. Ethical matters in areas which require a specific expertises centers around this issue: It is difficult to question the experts of a specific area on matters concerning their field. These experts put their special knowledge forward when someone proposes new methods questioning the current ones. Empirically, Petäjävaara (1992) has indicated this sort of misuse of expert knowledge in hearing instrument business. Given the large number of small business areas in health care, it can be easily assumed that the similar mechanisms and issues exist everywhere in medical business.

2.1 Actions in Increasing Ethical Awareness

To improve ethical readiness in hearing instrument business one must first increase the people's knowledge about the hearing instrument business, its products and markets. People should have the right to be informed about the matters which concern them, and what the new technology can offer them.

Creation of a network to increase people's awareness and to solve the ethical issues and problems takes time and resources. One should approach the matter both at the political and business level. Political approach requires the activation of politicians to participate to an open debate on ethical issues. Necessary government officials should not be neglected either. At business level, firms involved in that specific area should be made to realize the essence of ethical issues and behave accordingly.

An excellent way to inform the public is through media. Newspaper articles van be used to reveal unethical issues and episodes, and awaken the public. Another way to approach the matter is to contact the hospital managements directly and go through the issues without unpleasent publicity.

When starting process of change, one must advance carefully thinking, which actions to take and strings to pull so that the market can operate properly. Before going to the extreme actions, each aspect of the matter should be gone through and decide then what are the ultimate goals of the whole process. The ultimate goal could be the creation of a successful corporate concept, not an ethical policy.

V UNETHICAL SALESFORCE BEHAVIOR

Many writers have reported on the ethical standards operating in the business world. Dubinsky, Berkowitz, and Rudelius (1980) reported that salespeople experience ethical dilemmas and generally want to have stated company policies to guide them when ethical conflicts arise. Carr (1968) and Pruden (1971) suggested that induviduals have different sets of ethical standards, of which private-life standards are generally higher than work-life standards. Unethical behavior has been reported to increase with the realization of what must be done in order to compete (Sales and Marketing Management 1982). Perhaps people feel pressure to succeed and may compromise personal standards to reach corporate goals (Bowman 1976). Pressure from business superiors and the ethical climate in an industry also have been cited as reasons for ethical conflict (Baumhart 1968).

It has been mentioned that the adoption of business codes of ethics would be the most effective measure of encouraging ethical business behavior. However, despite an increase in the number of ethics codes being adopted, the codes themselves have not had an important effect on behavior (Laczniak and Inderrieden 1987). As Laczniak and Murphy (1985) and Murphy and Dunn (1988) point out, codes must be enforced and appropriate punishment meted out for violations.

1.0 Use of Discipline

The organizational behavior litterature generally concludes that leaders who administer discipline appropriately (contingent upon unacceptable employee behavior) cause increases in performance and satisfaction as well as a correction of behavior (Podsakoff 1982). Conversely, inappropriate administration (not contingent on behavior) is likely to produce many dysfunctional effects including feelings of inequity and resulting reductions in employee moral. Several factors can be identified that may be linked to a supervisor's use of discipline and may also produce dysfunctional effects because they are not solely contingent on the unacceptable behavior. Overall employee performance, organizational consequences, and gender of the subordinate are three such factors.

1.1 Employee performance

Employee performance has been reported consistently to affect supervisors' use of rewards and punishments (Podsakoff 1982). Barrow (1976) found that supervisors used more punitive discipline with low performing employees. Ilgen, Mitchell, and Fredrickson (1981) found that low performers were supervised more closely and were viewed as less pleasent and less interpersonally attractive than high performers. Lowin and Craig (1968) maintained that managers develop more positive attitudes toward employees as subordinates' actions become more valuable to the organization. They also pointed out that a manager of a highly productive subordinate will be more inclined to allow the subordinate to do as the subordinate wants in both job-relevant and job-irrelevant activities. Empirically, Lowin and Craig (1968) demonstrated that supervisors were harsher on low producing subordinates for taking unauthorized work breaks and showed them less consideration than they did high producing workers. Lowin and Graig's study showed that how such unacceptable behavior is handled may be based on the overall performance level of an employee. Furthermore, certain unacceptable (perhaps unethical) behaviors may be tolerated from high performers but not poor performers.

1.2 Organizational Consequences

Leaders also consider organizational consequences. For example, an unacceptable behavior could have no serious consequences (i.e., little negative effect on organizational goals) or very serious consequences. When the consequece is more serious, punitive actions in response to a work-rule violation is more likely to be forthcoming (Mitchell, Green, and Wood 1981; Rosen and Jerdee 1974). As with overall performance, how a specific unacceptable behavior is handled by supervisors may depend on the nature of the consequence.

1.3 Gender of the Subordinate

Gender of the subordinate is another factor related to the use of supervisory discipline, particularly the treatment of women performing a traditionally masculine task. Taynor and Deaux (1975) found that women were rated as more deserving of rewards than equally performing men and that the performance of women working in a masculine job may be inflated in comparison with that of men. Though women are judged as more deserving of rewards, they may receive fewer rewards (i.e., pay rises) when rewards are actually allocated (Terborg and Ilgen 1975). Rozema and Gray (1987) reported that men are criticized more than women and are reprimanded more harshly because more is expected of them. Terborg and Ilgen (1975) found also that women working in a traditionally masculine occupation are perceived as operating under greater involuntary internal constraints (i.e., lacking important personal qualities essential for business success) and greater involuntary external constraints (i.e., working in a sex-biased environment) than men. Under such a perception, one could expect men to receive stronger disciplinary action for engaging in unacceptable behavior because they should know better whereas women, who are operating under perceived external constraints beyond their control, should treated more leniently.

2.0 A Sudy by Bellizi and Hite

Using supervisory discipline to encourage ethical behavior and discourage unethical behavior has been associated with perceptions of ethical problems (Hunt, Chonko and Wilcox 1984). Ferrell and Weaver (1978) stated that managers need to enforce policies on unethical behavior; however, they reported self-perception data suggesting that enforcement may be less than adequate. Bellizi and Hite (1989) conducted a study, the purpose of which was to examine the supervisory discipline used by sales managers in response to unethical salesforce behavior. Their research intented to identify some of the factors that may influence sales managers' use of discipline in cases involving unethical behavior.

Bellizi and Hite developed four selling scenarios that involved a potentially unethical selling behavior. Within the scenario, overall work performance (overall top sales performance or poor performance), sales representative gender (male vs. female), and the organizational consequence directly related to the behavior (negative consequence stated vs. no consequence stated) were manipulated randomly. The scenarios were designed around four questionable practices: (1) overstating plant utilization to gain negotiating power, (2) over-recommending product quality levels, (3) failing to recommend product deletion involving a safety issue, and (4) doubling an order to make quota without customer's permission. The subjects were instructed to read the scenario and then to complete a series of questions about their supervisory reaction, assuming they were the immediate supervisor of the salesperson in question.

Bellizi and Hite's findings clearly indicate that salesperson work performance and the consequence of unethical behavior affected supervisory reaction as expected. In every case where a significant finding emerged, poor performers were disciplined more harshly than good performers and negative consequences led to harsher treatment of sales representative than when no consequences were stated. Gender of the salesperson also had an influencing role.

Two recent incedents indicate that unethical behavior of employees may have larger consequences and draw attention even at governmental level. The highest official in Federal Bureau of Investigations (FBI) was forced to resign as he repeatedly violated the ethical rules of the Bureau. The official used the company airplanes and cars for his personal purposes. The other incident concerns the former manager at General Motors (GM) who shifted from GM to a German company, Wolksvagen. The manager has been accused to stolen cases of secret documents regarding a new passanger car being planned at GM. Incidents like the above happen everywhereregardless of the size or importance of the company or industry. The mechanism and behavior are the same in a smaller company or business field. Next, we will investigate ethical issues in Finnish hearing instrument business.

3.0 A Case Study: AP Medical Hearing Ltd

Some years ago, AP Medical Hearing Ltd offered a position of sales manager to a 50-year-old man with 30 years of experience from hearing instrument business. A couple of years later, through an unexpected company takeover the main representation, in charge of which was the new sales manager, was lost to another importer, which represented the instruments of the buying company. In a short time of period, AP Medical Hearing Ltd, an importer of hearing instruments, obtained representations of new hearing instrument brands. As a result of the many major changes both in AP Medical Hearing and in the field itself, the sales manager lost his touch in work. In other words, he could not stand the increased pressure there was to overcome the difficulties at that time.

Several discussion sessions and training did not help the sales manager to return his balance leaving the company no other choice but laying him off. After having received the lay-off notice the sales manager asked for the company car and telephone he had used for financial reasons. After having obtained the car and the telephone against a reasonable compensation he immediately resigned and went to work for a competitor. As he left AP Medical Hearing Ltd, the sales manager took some confidential and strategic materials regarding his former employer and handed it over to his new employer. Furthermore, the sales manager in question spread false information about the financial condition of AP Medical Hearing Ltd in the field.

2.1 Reasons and Backgrounds for Unethical Actions

It is apparent that in the sales manager's case it was a question of a mental burn-out. In the end, alcohol misuse and strange disappearings appeared. It seems that the sales manager was not ready for radical changes and the increasing pressure to make good results in that environment. During his years in the business he never really had had to work hard to sell the instruments to doctors and hearing assistants. It was more of a Public Relations than sales efforts that employed him. A sudden pressure to make sales and profit quotas was something new to him, like a PC can be to an old person to use. The easiest way for the sales manager to cope with the difficult situation was to give his resignation and move to another company in the field. At that time, he no longer respected the agreed contracts between himself and AP Medical Hearing Ltd. In the end, there might have been other motives for his actions, such as revenge and his own best personal benefits.

2.2 Management Action

Theft of the strategic materials and information concerning AP Medical Hearing Ltd posed the most dangerous threat to the company. In the beginning, AP Medical Hearing Ltd took a flexible and conciliating approach to deal with the conflict situation with the sales manager. In practice, this meant the respection of the presupposed agreements by both parties involved. When it became clear that the sales manager was not going to fulfill his part of the deal, AP Medical Hearing Ltd took a harsher approach. That approach included threatening with legal actions in case the argeements were not obeyed. The matter was, however, considered so insignificant to the business that greater actions were not taken. However, AP Medical Hearing Ltd obtained the stolen material back from the sales manager.

2.2.1 Supervision of Salesforce

In practice it is not easy to control and supervise the behavior of salesforce when the ethical matters are concerned. Information about salesforce's unethical actions comes mostly accidentally to the knowledge of the management. In many cases, fortunately, the most harshed unethical conflicts are revealed so early that the management can take the actions to correct the situation before it damages the business severely. AP Medical Hearing Ltd sales ethics, for example, does not accept the supporting of a foreign trip by the buyers nor respond to and fulfill their unreasonable requests. Normal business lunches and small gifts, which directly relate to the business, are naturally acceptable.

Beside the definition of the company's sales and marketing ethics, a company must set clear punitive actions and consequences which result from an unethical behavior. Some of these can be stipulated in the contract between the employer and employee. A contract can, for example, include the consequences from leaking corporate secrets and confidental information.

As the unethical matters actualize it is important not to overreact to them. Often a strict oral or written reproach and complaint is enough to settle the matter, naturally depending on the nature of the unethical behavior. In the extreme end, there are the actions which include notices and lay-offs. Discussions are perhaps the best way to handle unethical behavior because it gives the best results in the long run as well as important feedback to the management.

3.3 Unethical Client Behavior

Traditionally, the medical industry has exercised a large research and PR-activities among its clientele, i.e. doctors etc. Often, the major corporations involved in the business are ready to offer and finance studies, which contribute nothing new to the field, in order to obtain concrete connections with doctors and other potential clients. The goal of such activities is to increase corporation's market share by obtaining new clients and changing the market in the long-run. Naturally, one can not neglect and forget that there are many studies which are based on high ethics and result in new advances in the field.

Unethical business practices have, unfortunately, been silently accepted as a part of the business and it is very difficult to change these habits. Recently, the unethical business practices have started to change, mainly because at the supply side there has been an apparent need to cut down these costs due to financial difficulties and increased pressure and focus on ethics.

In the hearing instrument business, AP Medical Hearing Ltd receives annually 20-30 ethically questionable requests from doctors, hearing assistants and others. The nature of the requests varies; mainly they include arrangements and offerings of foreign trips, the purpose of which is to participate on conferences and other such meetings. The participants behavior has, later, shown that the purpose of the trip was totally something else than supposed. Secondly, common unethical requests concern computer hardware and other equipment.

As a prove of the above mentioned business practices can be held the fact that the market shares in the hearing instrument business have hardly changed in many years. Price competition has not played a big role in the purchasing process. Instead, it has been a sort of a barter (Petäjävaara, 1992). Ethically, it has been a bit difficult to handle questionable requests mentioned above. AP Medical Hearing Ltd has adopted a negotiating strategy, according to which the company has discreetly informed its clients that it is no use for them to give any unethical propositions.

VI ETHICAL ISSUES IN INTERNATIONAL CONTEXT

Fritzsche (1986) has noted that marketing activities have been central to international trade and thus have been the focus of much of the criticism concerning unethical behavior. This focus may be due, in part, to the general inability of corporations to arbitrate conflicting obligations among several constituencies in an international context (Windsor 1986).

Three factors appear to create difficulties in resolving these conflicting obligations. First, the number of disputes among constituencies is likely to increase, given the growing complexity of the ethical issues found in the international marketing environment (Fritzsc 1986; Laczniak and Naor 1985). Second, there is a greater likelihood of marketing managers making poor ethical choices in international markets than in their domestic markets owing to their lack of familiarity with foreign business practices and the pervasiveness of ethnocentric orientations (Laczniak and Naor 1985). And finally, unlike domestic markets, federal law and Judaeo-Christian traditions guide decision-making, little agreement can be found on what standards should be used in solving ethical conflicts which can arise in international trade (Andrews 1986; Schollhammer 1977).

In the absence of an international legal framework, it has been suggested that ethical conflict, to a large extent, must be resolved on a moral basis (Windsor 1986). Haegg (1983) identified two sources - guidelines promulgated by international bodies, such as the United Nations, and theoretical analyses - that might provide the basis for identifying and arbitrating ethical conflicts. These sources, however, have their limitations. First, ethical issues are difficult to define. This ambiquity in definition often leads international organisational guidelines to exclude comments about ethical issues and instead to focus on the firm's social and economic responsibilities to the foreign host country (Ryans 1979). At the same time, the increasing number of published guidelines tends to add greater variance to the definition of the core ethical issues in international trade (Haegg 1983). Secondly, from a theoretical perspective, no general moral theory defining ethical obligations in international trade has yet been developed (Windsor 1986). The rationale for this has been that cultures differ too greatly to permit the creation of a viable set of worldwide ethical standards.

In response to the regulatory guidelines proposed by international organisations, many US multinational firms have developed corporate codes of conduct (Bell *et al.* 1980). However, these codes, like the international organisational guidelines, have had problems in dealing with ethical issues. They have not identified the range of ethical issues to be found in international trade, much less provided an agreed-upon set of rules (White and Montgomery, 1980). Additionally, corporate codes often are very narrowly defined.

1.0 A Study by Mayo*et al.*

To date, research on the ethical dimensions of international business and marketing has been relatively limited and non-empirical (Taylor *et al.* 1989). Mayo *et al.* (1991) have examined the US practitioners' perceptions of the nature and extent of ethical problems confronting US marketing managers engaged in international trade. Mayo *et al.* asked repondents to identify the aspects of international marketing which posed the most difficult ethical problems. Furthermore, respondents were asked to rate the frequency of each ethical problem they identified and to indicate its impact on the firm and its management team.

The nine issues that were perceived as posing the most difficult ethical or moral issues encountered in international marketing were ranked according to how often they were identified by practitioners (see table 2). This ranking represents the issues that are perceived as the most difficult problems for US marketers to address in international trade. Mayo *et al.* presented also results of the respondents' ratings of how frequently the identified ethical issue occurred and their impact on the firm's competitiveness, its US image, and on the management team.

Table2. Perceived Ethical Problems in International Marketing

Rank	Issue	Frequency	%
1	Bribery	59	33.7
2	Government Interference	27	15.2
3	Customs Clearance	13	7.4
4	Transfer of Funds	9	5.1
4	Cultural Differences	9	5.1
6	Pricing	5	2.9
7	Tech/Copyright theft	4	2.3
8	Immoral Entertainment	3	1.7
9	Product Use	1	0.6
10	No Ethical Problems	16	9.1
11	Miscellaneous	29	16.6
		175	100

The results indicated that practitioners felt the perceived ethical problems would moderately reduce the firm's ability to transact business overseas and would have a substantial negative impact upon the firm's domestic image if found engaging in such practices.

The ethical problems of bribery and customs clearance were rated as having a high negative impact on US firm's image and were ranked first and second in terms of attracting top management's concern. These rankings were made despite the fact that both ethical problems occurres on a relatively infrequent basis and were rated as having a less than a moderate impact on competitiveness. The ethical problem of customs clearance includes any request or demands for special payment or documentation the intent of which was to circumvent customs clearance.

Although the problem of submitting to governmental interference occurred with the greatest frequency and had the greatest negative impact on overseas competitiveness, management was not so concerned about the ethical implications of the problem.

The ethical problem of illegal or questionable transfer of funds still was rated as attracting much concern from top management, even though it ranked last in terms of frequency and impact on competitiveness. Again, some of this concern may have been due, in part, to the large negative impact anticipated on a US firm's image, if found engaging this practice.

Finally, the ethical problem of cultural / business practice differences was rated as occurring on a moderate basis but as having only a limited negative effect on the firm's ability to effectively to sell abroad. Despite its limited impact on competitiveness, this problem has the potential of tarnishing the US firm's image if it is found engaging in it. Also management was concerned about the ethical implications of this problem.

VII CONCLUSION AND SUGGESTIONS FOR FURTHER RESEARCH

Managers wanting to instill and maintain a high level of loyalty in their employees may have to be more than just task directors of their organizations. Rather, they may have to think themselves as the standard bearers, mood setters, and moral leaders of their organizations. More specifically, these leaders must show concern for, act upon, and reward ethical behavior. In essence, top managers should define, refine, communicate, and thus institutionalize the ethical principles underlying their policies, practices, and goals. They should decide what will be considered right, what will be considered wrong, and what things are worth doing from an ethical perspective in their organizations. In marketing these decisions involve product and service quality, advertising content, pricing policies, relationships with customers, suppliers, and all other exchange relationships that affect organizational success.

How does a firm upgrade or maintain a high level of ethical standards and behavior? Many writers have suggested an adaption of business codes of ethics, a more humanistic curriculum in business education. Some firms have used such codes as public relations statements and many of the codes are too vague. Sales managers may send confusing messages to salespeople when questionable behavior is ignored or even encouraged through nonverbal messages. Regardless of the presence of a business code of ethics, questionable behavior must be curbed through proper supervisory feedback. Unfortunately, salespeople often work alone. Sales managers therefore may not be aware of ethical violations.

Not only may sales managers have difficulty supervising behavior that is not observed or reported, they also may have difficulty in supervising behavior that is reported. Managers may find it, for example, difficult to enforce codes of ethics when confronted with taking disciplinary action against a long-time employee. Disciplining a "star" performer who violates the ethical code may create similar difficulty. Sales managers, for example, are often rewarded on the basis of short-run sales performance. Because sales managers generally do not actually sell, they succeed when their salespeople succeed. As a result, a sales manager may be willing to ignore ethics violations, particularly those associated with no apparent negative consequence and those in which top sales performers are involved.

As Chonko and Hunt (1985) reported in their study, marketing managers are confronted with a wide variety of difficult ethical problems. Therefore, the awareness of the existence of ethical problems allow them to plan and prepare for the problems thay are likely to encounter. A better understanding of these issues provides marketing managers with the information necessary to more effectively market a product or negotiate a sale.

Other than the study conducted by Chonko and Hunt (1985), there has been a lack of research directed at the determination of major ethical problems. Murphy and Laczniak (1981) have reviewed the research on marketing ethics, and concluded that the methods of most researchers are without theoretical foundation and creative methodology. A summary of the preceding research reveals that most of the studies involve a use of scenarios as research instruments. Most of the research has been largely directed towards American firms, engaged particularly in international marketing. One can not assume that the same issues are relevant in the same way, or with the same magnitude, for firms from other countries. Therefore, replications of the studies with other countries would be desirable.

The ethical performance of individuals and groups within business organizations has become an increasingly important topic in management research. Though this body of research has addressed several subjects, organizational factors related to the level of ethical values expressed by employees, and factors affecting the alternative chosen by individuals when faced with ethical dilemmas, almost no research has directly studied the actual ethical performance of organizational members and the variables related to this performance.

Research that tracks the changing nature and impact of ethical values in organizations over time is needed. Ethical values are said to be situational and time specific. It would be useful to examine how do those values change over time and place, what specific actions by managers cause such changes, and which ethical values have the most staying power and impact over time.

Finally, the relationship between success and ethical problems in marketing management appears to be an important area for further investigation. Are the actions of top managers effective in reducing all types of unethical behavior, or are they only useful in deterring selected unethical behavior warrant also further research.

VIII BIBLIOGRAPHY

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