Product ethical management

Business, Management

In recent years, the pursuit of profit and winning competition has been seen as the most important aim in people'scareer. It's therefore not surprising that some people view ethical principles as secondary in importance to financial success. As a result, business scandals happen over and over again in the modern society. Such 'ethical marketing' in the midst of these scandals is criticized by a sceptical public because 'ethics' should be integrated into the process of management decision making. Ethic marketing includes 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.

Murphy et al., (2005) argue that to be an ethical organisation, ethical theories and reasoning should be used as a foundation for managerial decision-making. Among the three ethical reasoning, consequences, duties and virtue, duties are seen as most prevalent as applied in the product management ethics area. However, Murphy (2005) and others (Grant 2007; Peattie 1992) with regard to green marketing believe an ethic should be more than rhetoric. Therefore the implementation is crucial in ethical marketing. As a result, the implement approaches will be suggested in part B. With this, value statement and ethical auditing in marketing will be deliberated.

In marketing, a product is anything that can be offered to a market that might satisfy a want or need. (From Wikipedia). There are several major ethic issues in product management area, e. g. some having legal implications, e. g. product safety and product counterfeiting; some concerns more about corporate socialresponsibility, e. g. socially and environmentally harmful products. Murphy (2005) suggests that marketing ethics is the systematic study of how moral standards are applied to marketing decisions, behaviours, and institutions.

To evaluate whether a corporation is ethical or not, we'd better start from stakeholder perspective. The stakeholder approach looks at various groups to which the corporation has responsibilities. A stakeholder in an organisation is ... any group or individual who can affect or is affected by the achievement of the organisation's objectives. (Murphy, P. E. et al 2005). The primary stakeholders have a formal, official, or contractual relationship with the firm, e. g. customers, shareholders, employees, et al, primary stakeholders is also classified as traditional stakeholders by Crane, A and Matten, D (2004).

In the product safety area, it relates more to consumers, which is the primary stakeholder. A typical example might be the toy manufactures, because they are providing products for the vulnerable group, children. As a result they should be more careful about their products. A record of 112 recalls of toys and other products geared for children issued in 2007. Extremely high lead content was the reason. Children are the most susceptible to lead poisoning, which can cause learning and behavioral disorders, as well as illnesses and even death. Congress generated considerable publicity this summer when it passed a law regulating the lead content of toys and other children's products. (Toy safety still an issue, Nov 27, 2008)

Besides the codified responsibility, including warranties, product liability law, and some federal agencies having responsibility for product safety, corporate should show more concern on consumer's safety. However, Staelin (1979) criticised that only 20 percent consumer injury can be related to defective or poor product design which could be addressed by product safety regulation. (Reid, I. D and Preusser, D. F, 1983) From corporation's view, it's not only their responsibility but also that of the whole society. Staelin (1979) suggests that government should spend more on publiceducationto avoid product injury.

The primary ethics approach applied in product management is a duty-based theory called deontology. This theory stems from fundamental obligations which decide certain actions are correct in and of themselves. Intentions or motivations then determine whether a marketing decision is ethical or unethical. Immanuel Kant (cited in Murphy, P. E. et al 2005) suggests the formulation that there are universal moral standards. E. g. Copying patented products, inventions and brands without permission or legal contract is not tolerated by moral. Since, it costs millions for developing a brand or patented products; the theft from other organisations is unethical.

Another formulation is concerned to encourage companies to treat all stakeholders as people. In another words, organizations should never treat stakeholders such as customers, employees, etc. as means, or manipulating their behaviour to attain companygoals. The most controversial product may be cigarettes. Cigarettes are different from alcohol where the negative impact generally occurs with abuse or misuse. Both the smoker and the second hand smoker will be affected inhealth. Murphy (2005) points out that the U. S. Public Health Service estimates cigarette-related deaths in this country at about 350, 000 per year.

Direct medical costs resulting fromsmokingrelated illness are as high as $22 billion a year, excluding second hand smoke effect. Society has the duty to interdict when a company failed to meet its obligation. Therefore, the advertising ban has been adopted in many countries. Canada, Sweden, New Zealand, and, most recently, the European Union have comprehensive promotional restrictions, and the United Kingdom has now banned all cigarette advertising. (Murphy, 2005, pp. 93) It's manufacture's duty not to harm others. Although, those manufactures meet the duty to inform, e. g. showing the warning labels on cigarette package. It's still controversial that should cigarettes manufactures encourage consumers smoking or not harm them from humanity concern.

Although duty-based theory is widely applied in ethics marketing, it is still controversial. The universal rules are challenged by the following conditions. There are always contingencies that seem to complicate real-world situations. We can say directly that product counterfeiting and black marketing cannot be tolerated by the market and is wrong. However, the judgement on this 'gray market', which is also called parallel importing, is quite difficult. Gray marketing involves the selling of trademarked goods through channels of distribution that are not authorized by the trademark holders (Duhan and Sheffet, 1998, p. 76).

The practice of parallel importing represents an uneasy balance between the protection of intellectual property rights such as trademark and patent rights and the liberalization of trade in goods and services promoted by organizations such at the World Trade Organization (e. g. Bronckers, 1988). Much of the debate in theacademicliterature centres on whether parallel importing is a legitimate response to discriminatory pricing strategies or a free rider problem (see, e. g. Malueg and Schwartz, 1994).

Thus, from the brand owner's view, parallel importer may damage their reputation, without providing after sale service, as while as share the benefit from advertising by original manufactures, etc. All above shows unfair to brand owners. However, parallel importers actually bring some benefit for consumers. Customers gain good quality merchandise with lessmoney. It has been criticised that brand owners are charging an unreasonable price, which customers can't afford.

Thus, in this situation, the universal theory doesn't work well. (Eagle, L, et al 2003) Additionally, there may not be a mechanism for resolving conflicts among two absolute moral duties. Just as the cigarettes cased mentioned, managers clearly have a fiduciary responsibility to their shareholders and a duty not to harm others. Which trade-off should be taken? There is no absolute right answer at least nowadays.