The ethical and social responsibility the marketing perspective management essay

Introduction

The aim of the following literature review is to identify the most important and knowledgeably important academic and practical works throughout the past decade upon the concept of Corporate Social Responsibility (CSR) and Ethics.

The report should gradually flow thought the history of the concept, definitions, academic and practical view of various writers, including the appraisals and criticisms as well as real live examples if applicable. Moreover, draw certain linkages towards the other paradigms. Finally, the conclusions and recommendations should be taking place upon the development and current stance of the concept and its future respectively.

The initial literature research has reviled many sources of the information, directly and indirectly focused upon the subject, therefore, the author hope to cover the subject from different perspectives and angles, so that achieving high degree of comprehensively and depth of the analyses.

1. 0 Criteria for Selection of Articles

Aiming to find the most relevant material as well as achieving the widest possible scope, the following criteria were selected in commencing the literature research:

Academic journals on CSR and ethics as well as related subjects/concepts, for instance Marketing, Advertising, HRM, etc;

Newspapers and magazines – mainly for the live case scenarios and analyses;

Journals/Magazines/Newspapers issues for the past 8-10 years;

Library – books and textbooks.

However, in order to save time as well as increase the scope of the research, it was suggested to place a particular focus upon the electronic sources of information, which were targeted by using the key knowledge portals/electronic databases as follows:

http://www. athens. ac. uk

http://www. nader. org/

Home

http://www. essential. org/monitor/focus/focus. index. html

http://www. emeraldinsight. com

http: www. anova. com

http://www. sciencedirect. com

http://www. google. co. uk

http://www. ft. com

http://www. economist. com

During the course of the research it was reviled that it is much more efficient and effective to work with electronic sources of information, nevertheless,

some of the hard copy sources were used due to their value to the research purposes and as the means of cross-checking and guide lines.

The only major problem facing the researcher was the amount of the obtained information and therefore experienced physical difficulty in regard to the reading and analysing of the materials. The subject has proven to be very broad along with strong linkages to other concepts making it difficult to establish the core line without losing the focus upon the secondary (in terms of importance) implications of the paradigm.

In order to solve some of the above problems and attract the maximum possible structural approach towards the review, the articles on the matter were presented by three types:

Research articles;

Journalistic articles;

Working papers;

Quotations/citations;

Books' extracts.

1. 1 Defining Corporate Social Responsibility (CSR) and Ethics

Ethical standards and social responsibility can be viewed from very different perspectives. However, the author is planning to choose Corporate Social Responsibility (CSR) as a ' backbone' of the project and any relevant considerations, issues or concepts more like a ' ribs'. Selection of such a

unusual description has a purpose to illustrate that non of the concepts, hypothesis, theories, etc. can be looked at purely on their own but as a part of the larger framework (' the body').

1. 1. 1 Defining Corporate Social Responsibility (CSR)

One of the early advocates of CSR, Wood D. (1991) highlights that corporate social responsibility theorists argue that management should incorporate ethics into strategic goals because it is the ' right' thing to do. At a time, it was obviously the right thing to say (looking at the current development of the paradigm and its practices), however, was lacking the solid ground.

More recent authors such as Susan Key and Samuel J. Popkin (1998) argue that ' integrating ethics into the strategic management process is not only the right thing but also the profitable thing to do', which is perhaps a very clear and motivating explanation for any business organisation, i. e. to speak the language of benefits and profits.

Waddock and Graves (1997) have tied corporate social performance to increased financial performance, and Frooman (1994) found that unethical behaviour leads to decreases in stock price.

The studies upon the causes of corporate failures and disasters commenced by Allinson (1993) and earlier by Arthur (1984) suggest that incorporating ethics in before-profit decision making can improve strategy development and implementation and ultimately maximise corporate profits.

Moreover, Kang (1994) suggests that to both enhance financial performance and limit liability, ethical criteria need to be included as part of strategic

management in before-profit rather than after-profit decision making such as philanthropic contributions.

Following the opinion of advocates of CSR, any large organisation is essentially a social institution as well as economic enterprise. Therefore, any business affairs must be carefully weighted in terms of possible social impacts as the results of such activities, ' balancing carefully conflicting responsibilities to various stakeholders' (Geoffrey P. Lantos, 2001).

The above leads to the definition of CSR proposed by (Bloom and Gundlach, 2001) in the view of the obligations of the firm to its stakeholders, i. e. people and groups who can affect or who are affected by corporate policies and practices. These obligations go beyond legal requirements and the company's duties to its shareholders. Fulfilment of these obligations is intended to minimise any harm and maximise the long-run beneficial impact of the firm on society.

Bloom and Gundlach (2001) summarise by stating that CSR entails the obligation stemming from the implicit " social contract" between business and society for firms to be responsive to society's long-run needs and wants, optimising the positive effects and minimising the negative effects of its actions on society.

Generally speaking, over the past decade, a growing number of companies have recognised the business benefits of CSR policies and practices. This was further fuelled by the growing evidence coming from empirical studies that CSR is causing a very positive effect upon the monetary performance of any business organisation, attracting positive publicity and creating a certain

competitive advantage. Obviously, all these positively contribute towards the shareholder value.

The understanding provided as a result of research conducted by Walter Schiebel and Siegi Pöchtrager (2003) " outlines that companies also have been encouraged to adopt or expand CSR efforts as the result of pressures from customers, suppliers, employees, communities, investors, activist organisations and other stakeholders. As a result, CSR has grown dramatically in recent years, with companies of all sizes and sectors developing innovative strategies".

It is possible to trace the obvious improvement over the course of two years by looking at earlier definition of CSR provided by the Journal of Consumer Marketing (2001) is that an organisation's obligation to maximise its positive impact and minimise its negative effects in being a contributing member to society, with concern for society's long-run needs and wants. CSR means being a good steward of society's economic and human resources.

Walter Schiebel and Siegi Pöchtrager (2003), further explore this view by saying that many companies are choosing to make an explicit commitment to corporate social responsibility (CSR) in their mission, vision and values statements. Such statements frequently extend beyond profit maximisation to include an acknowledgement of a company's responsibilities to a broad range of stakeholders, including employees, customers, communities and the environment.

This brings us to the concept of so-called " values-based business approach", which views company's strategy as a set of core values, which are

independent of specific strategic goals and play a role of the directing force in determination of company's ' mission and vision as well as its day-to-day policies and operations' (Walter Schiebel and Siegi Pöchtrager, 2003).

The following definition by Andrews, quoted in Hartman (1998) takes more radical human and social perspective, stating that the intelligent and objective concern for the welfare of society that restrains individual and corporate behaviour from ultimately destructive activities, no matter how immediately profitable, and leads in the direction of positive contributions to human betterment, variously as the latter may be defined.

Overall and attempting to run a conclusion upon all of the presented in the above definitions and considerations on the subject, it can be truly said that there is no common definition. However, each company responds in its own unique way, depending upon its core competencies and stake-holder interests – of course, this is happening at a very different degree of success, depending upon the company's expertise and efforts.

Moreover and obviously, country and cultural tradition also have a major impact upon the companies' response. In the words of Walter Schiebel and Siegi Pöchtrager (2003) social responsibility is fundamentally a philosophy or a vision about the relationship of business and society, one requiring leadership to implement and sustain it over time.

The most effective way to treat it is a long-term investment, paying back by good publicity, employee loyalty and commitment, increased profitability and general competitive advantage. One should note that there is a big

difference between treating it as an investment but not as a cost, even when both of a similar financial nature.

The process calls for the non-stopping improvement and development, which begins as a small thing but gradually grows and expands over time.

Geoffrey P. Lantos (2001) discovered that it has been referred to as " caring capitalism" in contrast to " financial capitalism" or " cowboy capitalism" and other more aggressive forms of free enterprise. Obviously, it is closely and solidly linked to the profitability due to the fact of lack of social responsibility without making any profits. According to Walter Schiebel and Siegi Pöchtrager (2003) profits are essential not only to reward investors but also to provide sustainable jobs, pay fair wages, pay taxes, develop new products, invest in services, and contribute to the prosperity of the communities in which business operates.

Finally Joel Makeover draws attention to the subject by making the following statement: " One of the most socially responsible things most companies can do is to be profitable".

Therefore, we can finally establish that there is a direct link in between profit and SCR; in fact, there two can be also seen as drivers for the whole process, i. e. where each of them does not function properly without another.

1. 1. 2 Ethical Considerations – the HR Perspective

Susan Key and Samuel J. Popkin (1998) outline that ethics are the shelter under which moral, social, and legal issues reside; thus, using components of

ethical analysis as a foundation for these decisions may result in the best use of corporate resources.

Honderich (1995) defines ethics as the science of using moral criteria to guide human conduct and morals as accepted values and standards of human behaviour.

According to Michael Armstrong (2001) HR professionals are concerned with ethical standards in two ways: their conduct as professionals and the ethical standards of their organisations.

The CIPD's Code of Professional Conduct states that members must respect the following standards of conduct:

Accuracy – in information and advice;

Confidentiality – especially dealing with sensitive personal information;

Counselling – be prepared to act as counsels;

Developing others – encourage self-development of themselves and others;

Equal opportunities – fair, non-discriminating employment practices;

Fair dealing – fair treatment of individuals;

Self-development – constantly improve themselves.

' They should do their best to influence changes in those values where they feel they are necessary' (Michael Armstrong, 2001). This is means, that they should not completely protest something they disagree with but attempt to

deal with the situation ethically and politically via influencing the situation gradually.

HR professionals should also assist in development and promotion of the ethical standards of a firm, which may be a set of ' guiding principles the organisation follows in conducting its business and relating to its stakeholders' (Michael Armstrong, 2001) -employees, customers, shareholders (or other providers of finance), suppliers, and society in general. A code will also summarise the ethical standards expected of employees. These may include conflicts of interest, the giving and receiving of gifts, confidentiality, environmental pollution, health and safety, equal opportunities, sexual harassment, moonlighting and political activity.

However, these should be getting more attention in forthcoming chapters. Nevertheless, it is possible to make a very first conclusion that HR professionals play a very important if not essential role in setting, maintaining and promoting of the ethical standards as well as setting boundaries for the social responsibility of an organisation via influencing and advising the management.

1. 1. 3 The Ethical and Social Responsibility – the Marketing Perspective

The following perspective will be largely based upon the point of view of Marketing guru, Philip Kotler (1996, 1999, 2001, 2003).

Running slightly ahead of time, the author would like to state that once completed the overview of different perspectives upon the subject, there is an intention to draw a throughout line of conclusion whether SCR and ethics

occupy similar niches and hold similar stances in the different sciences, such as HRM, Marketing, Strategy, etc.

First of all, Philip Kotler (2003) provides a very similar opinion to the ones which have been analysed during the course of this report. He argues that several forces are driving companies to practice a higher level of corporate social responsibility: rising customer expectations, changing employee expectations, government legislation and pressure, the inclusion of social criteria by investors, and changing business procurement practices. Companies need to evaluate whether they are truly practicing ethical and socially responsible marketing. Business success and continually satisfying the customer and other stakeholders are closely tied to adoption and implementation of high standards of business and marketing conduct. The most admired companies in the world abide by a code of serving people's interests, not only their own.

However and exploring the arguments of Philip Kotler (2003), business practices are often under attack because business situations routinely pose tough ethical dilemmas. One can go back to Howard Bowen's classic questions about the responsibilities of businesspeople:

Should he conduct selling in ways that intrude on the privacy of people, for example, by door-to-door selling….? Should he use methods involving ballyhoo, chances, prizes, hawking, and other tactics which are at least of doubtful good taste? Should he employ " high pressure" tactics in persuading people to buy? Should he try to hasten the obsolescence of goods by bringing out an endless succession of new models and new styles?

Should he appeal to an attempt to strengthen the motives of materialism, invidious consumption, and " keeping up with the Joneses?"

Clearly, the issues raised in the above are important but also very complicated. The problem rests upon the lack of clear line in between the marketing practices and ethical behaviour. Unfortunately, quite a few efficient marketing methods and tools are not particularly 100% ethical, due to the simplest fact that they can be annoying, for example door-to-door selling or direct marketing. At the same time according to Philip Kotler (2003), certain business practices are clearly unethical or illegal. These include bribery or stealing trade secrets; false and deceptive advertising; exclusive dealing and tying agreements; quality or safety defects; false warranties; inaccurate labelling; price-fixing or undue discrimination; and barriers to entry and predatory competition.

Therefore, it is more possible to draw a line between poles of the concepts but take it easy on middle grounds.

Another thing is that these days, the companies which do not perform ethically stand much greater risk of facing a bad publicity and therefore possible court cases than in the past. ' In the past, a disgruntled customer might bad-mouth a manufacturer or merchant to 12 other people; today he or she can reach thousands of people on the Internet' (Philip Kotler, 2003).

Finally, Philip Kotler (2003) suggests that raising the level of socially responsible marketing calls for a three-pronged attack.

First, society must use the law to define, as clearly as possible, those practices that are illegal, antisocial, or anticompetitive;

Second, companies must adopt and disseminate a written code of ethics, build a company tradition of ethical behaviour, and hold its people fully responsible for observing ethical and legal guidelines;

Third, individual marketers must practice a " social conscience" in their specific dealings with customers and various stakeholders.

Exploring upon the works of Michael Armstrong (1999, 2001, 2003) and Philip Kotler (1996, 1999, 2001, 2003) the future holds a wealth of opportunities for companies. Technological advances in solar energy, online networks, cable and satellite television, biotechnology, and telecommunications promise to change the world as we know it. At the same time, forces in the socioeconomic, cultural, and natural environments will impose new limits on marketing, knowledge, management and business practices. Companies that are able to innovate new solutions and values in a socially responsible way are the most likely to succeed.

1. 1. 4 A Brief Overview of the History of SCR

The roots of the concept go back to the 18th century and Scottish philosopher Adam Smith with his well-known work " The Wealth of Nations", where he has provided the world with the framework for modern business and relationship in the society. Smith proposed that capitalism, by encouraging the pursuit of gain and efficiency, works to create greater wealth than any other economic system, and maximises liberty by allowing

individuals freedom of choice in employment, purchases, and investments, thereby benefiting the common good.

According to Geoffrey P. Lantos (2001), over the past half century, business increasingly has been judged not just by its economic and its moral performance, but also by its social contributions.

Henry Ford II, quoted in Chewning et al. (1990), identified this when he spoke at the Harvard Business School as far back as 1969: " The terms of the contract between industry and society are changing … Now we are being asked to serve a wider range of human values and to accept an obligation to members of the public with whom we have no commercial transactions".

The view was further developed by Johnson (1990), arguing that endeavouring to beat one's rivals, and toiling to produce better work to earn the next promotion, if done ethically, will result in high personal development and therefore excellent use of one's time and talents and the firm's treasury (Johnson, 1990). Geoffrey P. Lantos (2001) continues the debate by stressing that he manager's role is to act as a fiduciary or trustee to a principal, the owners or shareholders, being their steward in effectively and efficiently managing the organisation's assets.

Geoffrey P. Lantos (2001) has also placed the overall development of the paradigm into the set of the following boundaries:

Economic responsibility, which is to be profitable for principals by delivering a good quality product at a fair price, is due to customers. Works of Novak

(1996) have especially contributed to this are via defining the seven economic responsibilities;

Legal responsibilities, these entail complying with the law and playing by the rules of the game.

As the matter of the fact, societies do not always trust businesses in deciding what is right for the good of the society. However, the major weakness over here is the limited scope of the legislation;

Ethical responsibilities, these overcome the limitations of legal duties. According to Smith and Quelch (1993) they entail being moral, doing what is right, just, and fair; respecting peoples' moral rights; and avoiding harm or social injury as well as preventing harm caused by others.

Ethical responsibilities those policies, institutions, decisions, or practices that are either expected (positive duties) or prohibited (negative duties) by members of society, although they are not necessarily codified into law (Carroll, 2001). They derive their source of authority from religious convictions, moral traditions, humane principles, and human rights commitments (Novak, 1996);

Altruistic responsibilities – Carroll's discretionary or philanthropic responsibility, " giving back"'' time and money in the forms of voluntary service, voluntary association and voluntary giving – is where most of the controversy over the legitimacy of CSR lies;

Stewardship responsibility – it is suggested that stewardship of the corporation's resources somehow be melded with a view of stewardship of

society's resources to more broadly serve society. Business was said to have stewardship responsibilities not just to shareholders, but also to stakeholders;

Social contract – is concerned a firm's indirect societal obligations and resembles the ' social contract' between citizens and government traditionally discussed by philosophers who identified the reciprocal obligations of citizen and state;

1. 1. 5 A Brief Conclusion so Far

Clearly, it can be said that social responsibility and ethics hold a very similar positions throughout the different sciences and paradigms. Even more to it, the emerging concerns and future challengers are of the very similar nature too, which proves the author's initial assumption that the concept of SCR and ethics cannot be judged and analysed on its own but rather as a backbone of very diversified, comprehensive and complicated body or mechanism.

1. 2 Dynamic and Working Models – Measurement of SCR and Social Audit

The following sections of this overview will be focused upon the developments by Walter Schiebel and Siegi Pöchtrager (2003), who developed two models (Dynamic and Working) which are aimed at measurement of SCR and social audits. The advantage of the approach is that it is clearly identifying all the key responsibilities or dimensions of CSR and further places them into the two formulas, therefore demonstrating some structural and mathematical approach to the social science.

1. 2. 1 Working Model and Measurement of SCR

Schiebel and Pöchtrager (2003) argue that in Western Europe, Japan, and North America, an increasing number of companies are finding that it makes good business sense to fully integrate the interests and needs of customers, employees, suppliers, communities, and our planet – as well as to those of shareholders – into corporate strategies. This opinion has already been mentioned over the discussion during the course of this overview upon the subject of viewing the investment as a long-term benefit but not as a cost. Therefore, over the long term, the approach offered by Schiebel and Pöchtrager (2003) can generate more profits and growth.

Often, it is also referred as ' stakeholder concept', " it implies that management's task is to seek an optimum balance in responding to the diverse needs of the various interest groups and constituencies affected by its decisions, that is by those who have a ' stake' in the business, by including societal actors – not just financial interests – the stakeholder model assumes that enterprise has a social responsibility" Schiebel and Pöchtrager (2003).

Schiebel and Pöchtrager (2003) have identified that there are six key responsibilities or dimensions of CSR and the concept is really how to manage these six responsibilities:

Customers;

Employees;

Business partners;

The environment;

Communities;

Investors.

According to the results of the research commenced by Schiebel and Pöchtrager (2003) companies employing a values-based business approach have found that it can improve financial performance, increase employees' motivation and commitment to work, and enhance customer loyalty and corporate reputation. These and other benefits, which are in fact, are the initial components of the Working Model and its formula (please, see in below) are outlined beneath:

Improved financial performance (FP). Business and investment communities have long debated whether there is a real connection between socially responsible business practices and positive financial performance.

Several academic studies already mentioned in this report have shown such a correlation;

Greater employee commitment and motivation (ECM). A corporate commitment to certain values and goals can help employees find meaning and purpose in their work, care about what the company is doing, and link their individual efforts to those of the company as a whole.

It has been demonstrated before, by HRM and Marketing perspectives that employee loyalty and commitment as well as general happiness about what

they do and who they do it for contributes to the overall success of the organisation and achievement of its aims and objectives and visa versa;

Enhanced customer loyalty (CL). Increasingly, consumers are factoring companies' business practices and perceived values into their purchasing decisions. Several companies that are typically associated with values-based business practices in the media and by consumers credit their commercial success, in large part, to brand loyalty among customers who support the company's values and/or mission.

Quoted by Schiebel and Pöchtrager (2003), a 1996 survey by Bozell Worldwide, The Wall Street Journal International Edition, and Japanese business newspaper Nihon Keizai Shimbun found that, when compared against nine " extremely important" general corporate citizenship categories or activities, " ethics and values" ranked highest among consumers in the USA and Europe, and third highest in Japan;

Minimised risk (R). Companies that institutionalise a values-based decision-making process can proactively address a broad range of legal and ethical dilemmas. As a result, these companies reduce their vulnerability to misconduct and the damage this can do to profitability, brand image, and management focus.

Employee comprehensive understanding of the organisational values facilitates their independence in day-to-day decision making, while making the decisions which are consistent with organisational aims and objectives as well as ethically correct.

Reduced operating costs (OC). Some CSR initiatives, particularly environmentally-oriented and workplace initiatives can reduce costs dramatically by cutting waste and inefficiencies or improving productivity.

This can be illustrated by the practices widely adopted by UK companies in compliance to various ISO (including environmental and waste) standards. In fact, some of the major aerospace manufacturers such as Rolls-Royce is demanding the compliance with most of the ISO standards from its suppliers or otherwise refusing to continue doing business with them;

Enhanced brand image and reputation (BIR). Customers often are drawn to brands and companies considered to have good reputations in CSR-related areas. A company considered socially responsible can benefit both from its enhanced reputation with the public, as well as its reputation within the business community, increasing a company's ability to attract capital and trading partners.

This point is exploring the comment about the ISO industrial standards mentioned in the above with the only difference that it goes further into consumer markets. The pressure comes from all sorts of stakeholders, interested parties as well as end consumers.

The author believes that work and research commenced by Schiebel and Pöchtrager (2003) as well as developments of the formulas are one of the main recent contributions to the concept of CSR, summarising and structuring all of the past developments and finding in the area as well as making a very important contemporary contribution as to academic world, so the practical one.

1. 2. 2 Dynamic Model and Social Audit

According to Schiebel and Pöchtrager (2003), during the past ten years, a number of business networks and companies have engaged in environmental and social accounting. The recently created Institute for Social and Ethical Accountability, located in London, is pioneering the development of standards, terminology, and accreditation procedures for social and ethical accounting and auditing.

Defined by Michael Armstrong (2003), social audits are tools that companies use to identify or define their social and environmental impacts, measure and evaluate the impacts, communicate internally and externally their performance, and make continual improvement in such areas as community and customer relations, employment practices, human rights issues, environmental responsibility and ethical behaviour.

Geoffrey P. Lantos (2001) in his earlier work has concluded that companies conduct social audits of their operations for a number of reasons: to be more strategic about their CSR programs; to quantify the non-financial aspects of their community involvement and other CSR-related activities; to identify potential liabilities; and in response to stakeholder requests for increased disclosure. However, this research was lacking the depth or in fact, was more of the surface nature and therefore the later study commenced by Schiebel and Pöchtrager (2003) is providing much better understanding of the concept as well as formulised structural approach.

Suggested by the statistical overview from Economist (2003), the European companies are holding the lead in commencing the most deep, professional

and comprehensive social audits. However, originally, the concept was mainly used in US and the country was an absolute leader in that respect, facilitating the development of the process in such countries as Peru and South Africa.

Schiebel and Pöchtrager (2003) summarise the above by stating that the process of conducting social audits can be extremely valuable for companies by providing a wealth of insight into their practices, as well as information about the way they are perceived by a variety of stakeholders. Please consider the following formula and the following explanations for the included specific benefits:

Improved stakeholder relationships (ISR). Most social audits increase stakeholder understanding of company goals, objectives and operat