

EXPORT MARKETING AND FINANCE

WEEK 12

ETHICAL ISSUES IN EXPORT MARKETING

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WEEK TWELVE

ETHICAL ISSUES IN EXPORT MARKETING

12.1 Introduction

Welcome to week 12 lecture! This is the final lecture on this series of export marketing and finance. Congratulations for going through the course! The overall objective of this course was to equip us with skills and knowledge in conducting export marketing. It is my sincere hope that you have gained enough skills and knowledge to conduct export business effectively. As we conclude this series of lecture, it is important for us to focus on the greatest underlying/salient factor that would hinder our ability to conduct export business. This is ethical issues in export business.

12.2 Intended learning outcomes.

At the end of this lecture, you will be able to:

1. Describe ethics in the context of export marketing.
2. Discuss ethics effect on exporter importer relationship.
3. Examine basis for ethical behavior in export marketing.
4. Evaluate ethical dilemma in export marketing.
5. Discuss contemporary issues on export marketing ethics.

12.3 Understanding ethics in export marketing context

Export business has been on rise globally. This is accelerated by forces of globalization, intensifying competition, and advancing transportation, communication, and information technologies among others. The greatest impediment to this trend is ethics between exporter and import which may affect their business relations. We begin by defining marketing ethics and view it from international business perspective.

Ethics are the embodiment of the values and belief one holds with regard to the standard which are used to determine what is right and what is wrong (Wisler,2016). Looking at ethics from marketing perspective; we define Marketing ethics as the extent to which the firm's marketing policies and practices are transparent, trustworthy, and responsible, thus creating a feeling of fairness and rightness by other stakeholder parties (Armstrong 1996). Similarly marketing ethics refers to the systematic study of how moral standards are applied to marketing decisions, behaviors and intuitions" and embraces a wide variety of topics (Schlegelmilch and Oberseder, 2010). On their part, (Yuan et al,2015) note that marketing ethics means acknowledgement of transparency, trustworthy and responsibility of the individuals and also organizational marketing policies focus on integrity and fairness toward customers and stakeholders as well (Yuan et al,2015).

The subject of marketing ethics has further received attention from Ferrell (2005) who viewed marketing, ethics in the workplace as rules (standards, principles) governing the conduct of organizational members and the consequences of marketing decisions while Tsalikis and Fritzsich (1980) defined ethics as an inquiry into the nature and grounds of morality where morality means moral judgments, standards, and rules of conduct.

From the above discussion we can conclude the following about ethics

- Its all about what is right and wrong.
- It's about values and standards in a firm.
- It's about how we treat others.
- What is right and wrong may vary depending on context?
- It's about transparency, trustworthiness, and fairness.

12.4 Importance of ethical marketing to a business

Ethical marketing is the foundation of a good relationship between importers and exporters. When this relationship is well established both the importer and exporter benefit. The exporter will benefit from the following (Leonidou, 2013):

- Better satisfy the needs of their import customers
- Secure the continuation of purchases from them.
- Minimize the possibility of foreign customer loss.
- Use customers as a source of new product ideas and foreign market information.

The importer will benefit in the following ways:

- Ensure the long-term supply of products from foreign suppliers,
- Suggest ways of improving the efficiency of the production/delivery process,
- Use the suppliers' expertise to protect their cost structure and achieve better prices.
- Exploit ideas relating to the technical development of products.

12.5 Dangers of unethical behavior in export marketing

Leonidou (2013) identifies the following as dangers of unethical behavior in marketing practices especially at international level:

- Creating suspicion and reducing openness between the interacting parties.
- Giving rise to moral dilemmas and eroding honesty in the exchange process.
- Undermining respect and increasing uncertainty and instability in the working relationship.
- Stirring up friction, frustration, and conflict between sellers and buyers.
- Cultivating short-term thinking and creating opportunistic behavior.
- Reducing the robustness of business decisions.
- Increasing uncertainty about the relationship.
- Jeopardizing business smooth progress.

12.6 Philosophical approach to ethics in international marketing

The greatest challenge in determining what is/not ethical in international business is the different value systems in different countries. What is considered morally upright may be considered unacceptable in another country. There are basically three approaches in determining appropriate behavior. These include:

- a) Human rights approach: recommends firms to refrain from any action that would harm the fundamental rights of people in other countries, such as ownership of property, political participation, and subsistence (Donaldson, 1989).
- b) Utilitarianism view: recommends firms to promote in foreign countries the greatest good for the greatest number of people, to preserve human life and its means (Elfstrom, 1991)
- c) Individual view: this school of thought consider behavior that promote one's long-term self-interest as ethical. The school prohibits consideration of short-term interests and requires any individual to think about the long-term effect of their behaviors and actions.
- d) The justice view: according to the advocates of this view a behavior is considered ethical if it shows fairness and impartiality. This will depend on ethical code or other guiding principle in a particular situation (Schermerhorn & Bachrach 2015).
- e) Universal approach: this school of thought hold the view that employees of any institution should choose a course of action that they believe would apply to all people under all situations. Borrowing from the Holy Book (The Bible), it has the implication that one should do unto others as they would have them do unto you'.
- f) Compensatory justice: this view holds that if distributive and procedural justice approaches fail, those hurt by the inequitable distribution of rewards are compensated. This compensation often takes the form of money or takes any other form (Schermerhorn & Bachrach 2015)
- g) Ethical guidelines: counsel international firms on how to operate ethically in less developed nations, such as by respecting the human rights of their employees, contributing to the host country's economic development, and paying their fair share of taxes (De George, 1993).

12.7 Ethical challenges and dilemmas in export marketing

The export marketer is faced with many ethical challenges. These makes it difficult for him to make the right decisions and sometimes face opposition from the importing countries. We will highlight some of the dilemmas and leave room for us to think on how such challenges can be addressed. We will summarize these in table 12. 1

In the international business environment Specific ethic problems that rise due to several factors such as (Soproni,2009).

- a) The diversity of political and law regulation systems
- b) The diversity of economical organizing forms and levels of economic development
- c) Insufficient regulations, especially in less developed countries
- d) Existing conflicts between national and regional economic interests

- e) The influenced area and power of the multinational corporations, as well as their ability to elude law regulations.
- f) Corruption in some areas of the world.

Table 12.1 Ethical challenges and dilemmas in export marketing

Key area	Main ethical challenges
Product	Unsafe products, product adulteration and misbranding, product quality
Packaging	Package size, misleading information, and package imitations
Advertising	Ads to children, deceptive/misleading advertising,
Pricing	Unfair pricing, excessive pricing, misleading price reduction, price advertisements, price fixing, predatory pricing, discriminatory pricing
Environmental consumerism	Green marketing, green products, and green consumers who may not hold to the views despite claims
Customer care	Customer dissatisfaction addressed through, polite and courteous service, offering, confidentiality, open door policy, proactive problem solving.
Distribution	Increase in counterfeit products distribution,

Source: adopted from Nurettin P, Banu K & Bülent O (2015) Ethical issues in marketing: an application for understanding ethical decision making..

12.8 Ethical decision-making process in marketing

Ethical decision-making refers to the process of evaluating and choosing among alternatives in a manner consistent with the ethical principles. It involves eliminating unethical options and select the best ethical alternative (Singhapakdi, 1990). The steps include Nurreti Et al (2015):

1. Determine the facts of the situation: the decision maker should make an honest effort to understand the problem.
2. Identifying the ethical issues involved: requires the marketer to recognize a decision as an ethical one.
3. identify relevant factors: these are factors like stakeholders or laws or professional codes and consider the situation from their point of view who will affected by a decision, policy or operation of a firm.
4. Evaluate alternatives: Once the facts have been examined, it is needed to consider the available alternatives which is also called the moral imagination. Obvious and unobvious options should be considered.
5. Rational decision: after considering all options a rational decision has to be made. This requires one to pick a course of action among the supported ethical alternatives.
6. Evaluate implications: evaluate the implications of the selected course of action to monitor and learn from the outcomes and to modify the actions according to face similar challenges in the future.

12.9 Towards an international ethical code in business

There is no one code of conduct of business globally. Several attempts have been made to try and produce an acceptable code of conduct but still a lot needs to be done. Some of the examples include:

1. The Principles of Business drafted by the Caux Round Table: founded in 1986, its main aim is pursuit to develop constructive relations both in the economic and social area between participant countries. Advocated for respect and protection of human dignity and responsible stewardship. It failed to reduce social and economic inequities that threaten the planet's peace and stability. The main principles of this code include Recognize stakeholder constituencies; Create wealth for development of the world; Act with sincerity, candor and truthfulness; Respect the law; The World is one economic community; Sustain the environment; Avoid corruption and illicit dealings (Caux Round Table,2009).
2. Global Sullivan Principles: developed by Leon Sullivan, in 1999 and requires companies to adhere to principles such as: Express support for universal human rights, Promote equal opportunity for our employees at all levels of the company, Respect our employees' voluntary freedom of association, Compensate employees to enable them them meet their basic needs, Provide a safe and healthy workplace; Promote fair competition, Work with government and communities in which we do business to improve the quality of life in those communities and Promote the application of these principles by those with whom we do business.
3. Business ethic rules for Rotary International: requires members to respond to four questions in assessing ethical situation: Is it just for all those involved? Will it lead to good understanding and consolidation of friendship? Will all those involved benefit from this? The code requires the members to adhere to these principles: Consider my vocation to be another opportunity to serve; Be faithful to the letter and to the spirit of the ethical codes of my vocation, to the laws of my country, and to the moral standards of my community; Do all in my power to dignify my vocation and to promote the highest ethical standards in my chosen vocation; Be fair to my employer, employees, associates, competitors, customers, the public, and all those with whom I have a business or professional relationship; Recognize the honor and respect due to all occupations which are useful to society; Offer my vocational talents: to provide opportunities for young people, to work for the relief of the special needs of others, and to improve the quality of life in my community; Adhere to honesty in my advertising and in all representations to the public concerning my business or profession; Neither seek from nor grant to a fellow Rotarian a privilege or advantage not normally accorded others in a business or professional relationship (Soproni, 2009).

4. Global Reporting Initiative: an international reporting standard for voluntary use by organizations reporting on the economic, environmental and social dimensions of their activities, products and services.

The export marketer may borrow some ideas on ethical behavior from these codes in situations where he is not clear on what needs to be done. The codes specify what is generally acceptable though they may not be accepted in all markets and in different cultures.

Review questions

1. Describe ethics in export marketing context?
2. What gains would an export marketer have from engaging in ethical behavior?
3. What dangers can an importer face from engaging in unethical export marketing practices?
4. Discuss key export marketing ethical challenges.
5. Advise an export marketer on how to make ethical decisions.

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