

IMPACT OF ETHICS ON BUSINESS

Ethical Issues in management & administration; Ethics and social responsibility, Ethics and marketing, Ethics in finance, Ethics and human resource, Ethics and Information Technology, Ethics in Public Administration; Ethical theories and approaches, Intellectual property rights like designs, patents, trade marks, copy rights, Ethics, ecology & environment.

ETHICAL ISSUES IN MANAGEMENT & ADMINISTRATION

The biggest challenge before any business, administration or society is to prevent several unethical practices and corruption, which are the outcomes of erosion of values. Though governmental regulation and social awareness is there, this menace is still continuing without any instant cure. These problems are widespread in nature al throughout the world, but in India, the nature is quite peculiar because of diversity in culture, social set up, religion and certain other historical and political reasons. The problems include several aspects viz. ecological, minority issues, gender, employee oriented issues etc. Corruption and moral degeneration problems are the results of the way we have been living in the last several decades. The social, religious, and cultural aspects of our lives many a times dictate our vulnerability to corruption and erosion of values. The corruption and erosion of values are generally found in:

- Politicians
- Officials from government or public sector organizations
- Lower cadre staff in the government and public sector organizations.
- Policemen
- Businessmen
- Educational Institutions
- Individuals
- White collar criminals

Corruption takes place both in public as well as in private sector enterprises. The private entrepreneurs aim at:

- maximization of profit by taking unfair means
- illegal procurement of raw materials
- hoarding the goods
- black marketing etc.

Likewise, in the public undertakings also, corruptions are manifold. To name a few, it includes corruption during:

- Construction of building
- Erection of plant and machinery

• Recruitment of people etc.

For convenience, we will mainly concentrate on several aspects of ethical issues arising out of erosion of values in business and administration which includes its functional and operational perspectives such as marketing, finance, operations and production managements, human resource managements, information and communication technology etc. and simultaneously it will cover aspects like concern for ecological balance, discrimination the basis of gender, caste or race, ethical decision making, corporate codes, sexual harassment, insider trading, whistle blowing, bribery, extortion, corporate crimes etc.

ETHICS AND MARKETING

The questions to ponder about in marketing are: Do the competitive pressures conflict with ethical considerations in marketing? Why should marketers worry about ethics during their function? What next role do the moral values play in a market driven economic system? Does the existing legal system provide too many or too few ethical constraints on the marketer? Today's competitive business climate makes many traditional attitudes obsolete with its thrust on consumerism, although most marketers have always been conscious of ethical considerations.

If there comes any debate regarding the presence of a fibre of ethics in marketing, the extreme critics will opine in favour of the unethicallity while others find it hard to see anything unethical about attempting to meet customers' needs with appropriate goods, services or concepts. These contrasting view points span a variety of differing opinions on what constitutes ethical practice in marketing.

Marketing consists of the performance business activities that direct the flow of goods and services from producer or manufacture to the consumer.

A number of distinct functions are coming under this broad characterization which includes:

- Product Development
- Distribution
- Pricing
- Promotion
- Sales

Virtually all aspects of marketing, from the development of new products or pricing, promotion and sales, raise ethical questions that do not always have an easy answer. Advertisement, similar to safety in the development of new products raises numerous ethical concerns.

Unethical marketing behaviour includes the following:

(A) Product

There may be several unethical practices in terms of the product which are as follows:

- (i) Safety - viz. manufacture of flammable stuffed animals.
- (ii) Shoddy goods - these are the products which can not even withstand ordinary wear and tear.
- (iii) Inadequate warranties - Warranties with insufficient time or parts and components coverage.
- (iv) Environmental pollution - viz. manufacture of non - biodegradable plastic products.
- (v) Mislabelled products - viz. flavoured carbonated sugar water sold as apple juice.
- (vi) Development - viz. bribery to the government official to secure agency approval for generic pharmaceutical products.
- (vii) Manufacturing - viz. unauthorised substitution in generic drugs after government approval .
- (viii) Brand 'Knock- offs' - Counterfeit sold as originals.

(B) Price

Unethical practices in terms of price are as follows:

1. Deceptive Price

It is meant to deceive customers and to take advantage of them. It may include.

(i) **Bait and Switch pricing**

It is one type of deceptive price. In this case a low price offer is made to lure customers into a store, where a sales person tries to influence them to buy a high-priced item.

(ii) **Inflated price**

To offer a discount-off on an inflated price tag. The consumer is not actually getting any discount.

2. **Unfair Pricing**

It uses pricing practices to drive competitors out of business. It includes:

(i) **Predatory pricing**

In this case, there is decrease in prices, even below cost & when competition are driven out, the company then raises prices back to their former level.

3. **Price Discrimination**

It involves selling the same product to the buyers at different prices without any cost justification. Theoretically, this maximizes profit by enabling sellers to charge price-inelastic customers higher prices than elastic customers. It can be unethical if it leads to charging similar buyer different prices for the same goods based on their ability to pay.

4. **Price fixing**

It is an agreement among firms in an industry to set prices at certain level to derive mutual benefits for them. It is prohibited, as such act restrict price competition. Two types of price fixing are:

(i) **Horizontal price fixing**

In this case there are agreements among competitors to fix prices at artificially high levels.

(ii) **Vertical Price fixing**

In this case price fixing agreements take place between manufactures and retailers or between manufactures and distributors. This involves an agreement that the product will be sold at the manufacturer's suggested price and will not be discounted by the retailer or wholesaler.

(C) Promotion

It includes the following:

(i) **Exaggerated claims**- It includes claims by a manufacturer which is beyond truth.

(ii) **Tasteless advertising** - viz. Sexual innuendoes and gender disparagement.

(iii) **Inappropriate targeting**

(iv) **Persuasive role models for inappropriate products** - viz. celebrity spokesperson in beer, liquor, cigarette ads targeted to youths.

(v) **Naïve audiences** - viz. billboards or hoardings for cigarette and alcohol in poor urban neighbourhoods where many people are dying from related causes

(vi) **Telemarketing**

(vii) **Captivating audiences by unfair promotional campaigns.**

(viii) **Deceptive Advertising**- Common deceptive practices all over the world in terms of advertising are as follows:

(a) **False and misleading presentation of facts.**

(b) **Deliberate omitting of required information**

(c) **Implying a benefit that hardly exists**

(d) **Trade puffing and exaggerations**

(e) **Using unnecessary, unwanted technical jargons**

(f) **Creating cultural degenerations**

(g) **Creating ambiguities in the minds of consumers.**

(h) **Creating fear in consumers**

(I) Open criticism of competitors

(D) Distribution

This marketing function includes the following :

- (i) **Fraudulent sales**
- (ii) **Bait and switch tactics** – Luring consumers with advertisements for low priced merchandise with the hidden purpose of switching them to high priced models or merchandise.
- (iii) **Direct marketing**
Besides having a mutually rewarding relationship between direct marketers and their customers, darker side is also there. It includes the following:
 - (a) The aggressive and sometimes shady tactics of a few direct marketer can bother and harm consumers, giving the entire industry black-eye.
 - (b) There are instances of unfair practices, outright deception and fraud.
 - (c) Misrepresentation of facts in television promotions.
 - (d) Fraudulent schemes such as investment scams or phony collection for charity have multiplied in recent years.
 - (e) Irritation, unfairness, deception and fraud are very common in it.
 - (f) Invasion of privacy takes place.
 - (g) Sometimes it is just too expensive to waste on consumers who do not want it.

(E) Packaging

It may provide deceptive qualities and quantities as some marketers use 'packaging- to- price' tactics that mask a decrease in product quality while maintaining the same price and traditional package size.

Probable Solutions:

There are certain guidelines which if practiced sincerely may make the marketing exchange process more ethically oriented. They are:

- (a) **General guidelines:**
 - (i) Products and services offered are to be safe and fit for their intended usage;
 - (ii) Communication about offered products and services are not deceptive;
 - (iii) All parties intend to discharge their obligations, financial and otherwise, in good faith; and
 - (iv) Appropriate internal methods exist for equitable adjustment and/or redress of grievances concerning purchases.
- (b) **In the area of product development and management**
 - (i) Disclosure of all substantial risks associated with product or services usage;
 - (ii) Identification of any product component substitution that might materially change the product specification or put impact on the buyer's purchase decision;
 - (iii) Identification of extra cost- added features.
- (c) **In the area of promotions:**
 - (i) Avoidance of false and misleading advertising;
 - (ii) Rejection of high pressure manipulations, or misleading sales tactics;
 - (iii) Avoidance of sales promotions that use deception or manipulation;
- (d) **In the area of distribution:**
 - (i) Not manipulating the availability of a product for purpose of exploitation;
 - (ii) Not using coercion in the marketing channel;
 - (iv) Not exerting undue influence over the reseller's choice to handle a product.
- (e) **In the area of pricing :**
 - (i) Not engaging in price fixing;

- (ii) Not practicing predatory pricing ;
- (iii) Disclosing the full price associated with any purchase.
- (f) In the area of marketing research
 - (i) Refraining selling activities or fund raising activities under the disguise of conducting research activities;
 - (ii) Fair treatment to outside clientele and suppliers;
 - (iii) Maintenance of research integrity by avoidance of misrepresentation, fraudulent activities and omission of pertinent research data.