Chapter Summaries

# Chapter 11 – Social and ethical strategies

## Introduction

Consumers are becoming increasingly concerned about a wide range of social issues when choosing products or services to purchase and consume. In particular, the wants and needs of society and the importance of doing business in an ethical and non-harmful manner are key contextual considerations. Firms must not only produce excellent goods and services and keep customers happy, but they must also be concerned with their relationship with society at large and with the environment. The marketing concept has evolved into market orientation, and firms are more heavily focused on wants and needs of consumers, but this is no longer sufficient. There is a broader context in which the firm operates, and the health and well-being of society and consumers must be taken into consideration for the firm to be seen as a good community citizen. Consumers expect that corporations will not only operate legally and fairly; they also want them to act ethically, help charitable causes, clean up the environment, and improve conditions for people locally, regionally, nationally, and in some cases internationally. Sustainability has become a necessity along with managing the carbon footprint.

## The firm and its stakeholders

An important starting point for understanding corporate responsibilities in a societal context is the determination of whom the firm is actually serving with its operations. Is it the shareholder or is it a wider variety of publics? This determination will lead the company to undertake very different strategic initiatives. To understand the potential benefits of corporate social responsibility (hereafter CSR), one has to be careful to examine all of the relevant constituencies affected by the firm’s actions. The important distinction really lies in whom the firm sees as its important constituencies. If shareholders are the only public that they are concerned with, then all actions undertaken must be done in a way that will maximize return for shareholders. This perspective would argue strongly against any expenditure without proven profitability. It could be argued that any community investment expenditure or donation to a charitable organization would be seen as a potential drain on company financial performance. If, on the other hand, the firm considers that there are a variety of publics that must be considered, then it might strategically deem such donations to be entirely appropriate.

## Social marketing initiatives

Social marketing is the application of marketing principles and practices to help with the resolution of public health and social problems. This involves the use of marketing to help public policy makers change public behaviours and practices considered to be harmful to health and societal well-being. The first suggestions for this appeared in the marketing literature in the early 1970s, and today there are a vast number of public awareness and improvement campaigns in evidence in many different countries. In the new era of the challenges brought on by COVID-19, the need for social distancing, handwashing, and wearing face coverings has become a major focus for societal well-being. These are societal concerns, and public policy makers in many countries have turned to marketing tools to get their messages to their constituencies to encourage healthier lifestyles and improved living conditions.

### Consumerism and marketing

The idea of ‘consumerism’ reflects the focus of early developments in marketing. In the 1950s, when the concept of marketing first appeared in the literature on business, the concern was to shift the focus to satisfying the wants and needs of consumers by differentiating one firm or brand from its competitors and ensuring consumer choice. This made appealing to the consumer a first priority, but major criticisms of the marketing concept centred around the fact that profit, rather than consumer welfare, was the overriding purpose. It’s a highly controversial area. One person’s consumerism is another person’s needed good or service. Also, the correlation might work the other way. Marketing might be a by-product of consumerism. Since consumers were potentially being harmed by the marketing of unsafe products, a number of countries have set up government agencies to protect consumers. How has this helped the consumer? This vigilance on the part of activists, companies, and public policy makers has raised the quality of consumer goods and made the safety of consumers a primary issue.

### Environmentalism, sustainability, and marketing

This wave of building consumer protection into business activities was further fuelled by concerns over the environment, first arising in the 1960s. The pumping of pollutants into the environment and the use of non-biodegradable materials in packaging roused outcry from the public. Environmentalism became a major governmental concern in many markets across the world, and again watchdog agencies were created in many countries to monitor the activities of companies. Companies have been rightly held liable for actions that have harmed or could harm the environment, and green marketing or environmentally-sound marketing has become a major strategic initiative. Green marketing involves the actions undertaken by the firm, or donations made by the firm, that are aimed at improving or preserving the environment associated with the firm. Green marketing focuses on the idea of keeping the environment clean and green. This often entails reducing or eliminating corporate pollution. Firms have been forced to examine the extent of their ‘carbon footprint’ and to seek ways to replenish resources that they deplete with their production processes. This focus on replenishment and minimizing harm to the environment is referred to as ‘sustainability’. Marketing strategies that focus on sustainable environmental uses are increasingly seen as vitally important for corporate success.

Sustainability can lead to profitability.

## Corporate ethics and ethical codes of conduct

At one time being a good corporation meant that you operated in a reasonable manner and adhered to laws and regulations. As corporations such as Enron, MCI, Parmalat, and Credit Lyonnais were seen to be violating public trust, the issue of ethicality was added to the set of firm requirements. The first obvious step to solve the problem is to understand the nature of ethics, which is the set of moral principles or values that shape the actions of either an individual or a group of individuals. Ethical principles therefore set a standard for behaviour in a society. Legality sets the foundation for what behaviours are seen as lawful or unlawful, but ethics focuses more on moral judgement, identifying what is the right thing to do from a moral standpoint as opposed to whether it is lawful or not. The difficulty is that certain activities that are lawful may not actually be seen as ethical or morally appropriate, and certain activities that are unlawful may not be morally inappropriate. Why do we need to consider ethics from a marketing perspective? Because there are a number of examples of businesses that have acted in ways that have damaged public trust. Several scandals throughout the global business community have served to weaken consumer trust and belief in big business. Ethicality and the adoption of codes of ethical conduct serve to signal to the public that the companies that adopt them will not abide by unethical behaviours. With ethics the question is not whether an action is legal or not, it is whether the action is morally right or wrong. Morals are basically sets of rules derived from cultural norms. Moral judgement is the framework of beliefs upon which the individual makes judgements on whether an action is morally appropriate or not. Different cultures and social groups may have different frameworks of moral judgement, which will affect their views on whether certain actions are ethical or unethical.

## Corporate social responsibility

So, what exactly is corporate social responsibility (CSR)? Is it corporate philanthropy? Is it helping the local community? Is it helping developing countries? The answer is that all of these are examples of CSR tactics, but each may be ineffective on its own. CSR is a multi-faceted construct that is more complex than once thought. It is really all things that the firm can do to be a good and responsible citizen of the world community, and it can incorporate all the kinds of initiatives previously mentioned in this chapter along with a series of additional strategic choices to ensure that the company is a caring and contributing member of society. Corporate social responsibility is the undertaking by the company to act in a socially responsible manner to protect and enhance the various stakeholders that have an interest in the company, the community in which it operates, the environment that surrounds it, and society. One important caution for global companies is that different cultures may have different perceptions on the importance of different kinds of CSR initiatives. These types of cultural differences can have a significant bearing on the success of global CSR initiatives and understanding the potential for differences in perceptions helps prepare CSR strategists for alliances with foreign firms and organizations.

## Non-profit issues and corporate philanthropy

Corporate philanthropy means corporate giving to charitable organizations. While most companies feel that they should give to charities, many do not know how to do it well. Philanthropy, like public relations or advertising, can enhance a company’s image; it achieves this by attaching the company’s name to cause-related marketing or charitable sponsorships. The key question to ask is whether corporations should even consider giving philanthropically. If by ‘philanthropy’ one is referring to a variety of small cash payments to local charities or universities, this may or may not be appropriate, depending on the motives and how they are perceived. What is needed is the connection of these payments to a series of sound social or business objectives. Philanthropy may be used to merge social goals and economic goals, which would allow the company both to give money and to leverage relationships and capabilities in the active support of charities.

## Social activism and community involvement

One important type of CSR activity involves the firm in an activist role in attempting to improve the community in which it operates. Social activism includes the actions undertaken by a firm, individuals, or a group that are aimed at making the quality of life in society better for all the inhabitants. From a firm strategy perspective, this would often involve some kind of proactive role in improving the community in which the firm operates. An important approach to this can be seen in what is known as corporate social initiatives or CSI. Many companies in the UK as well as in the US are now focused on building corporate images as good community citizens. A great deal of financial resources is being invested in community involvement projects. These projects range from locally focused education and training for youth and adults to improve their employment potential to global projects involving aid for developing countries.

## Greenwashing

A recent problem involves the conscious misrepresentation of company efforts to help the environment, which is known as greenwashing. Companies making statements without facts to back them up about their efforts on behalf of the environment are producing concerns among consumers about the real nature of so-called environmental corporate initiatives and their effects. This is fuelling concerns about corporate social responsibility and the driving to commit to sustainability and the reduction of the firm’s carbon footprint. The problem is that many claims are made to create an impression, and if these are too general in nature, it is almost impossible for consumers to see how the firm is actually delivering upon its claims. In a number of developed countries there are environmental watchdog groups where unsubstantiated claims can be identified and the companies made to correct their misrepresented claims, but this is not necessarily the case in developing countries. In these countries it will take proactive governmental action to control this problematic practice.

## Moving CSR from compliance to strategic imperative

If the company is to move beyond the use of CSR to playact at being a community citizen, it becomes imperative to find ways in which the firm can truly live out what it is preaching. This, like strategic planning itself, can be done so that the organization can say that it has completed the process to mark one more box off on the list of things to do. As has been discussed previously in this chapter, CSR is not just giving money to charitable organizations. It incorporates such important issues as human rights, environmental stewardship, family-friendly work conditions, and community development and nurturing. It is a multi-faceted construct, which should be thought of as an integral part of business strategy. What firms are now finding is that corporate citizenship leads to competitive advantage.

## New media: privacy, security, and their relation to social marketing strategy

The explosion of social media has presented a new array of opportunities for ethical problems to appear in the corporate landscape. Comments made by employees on social media can create serious issues for companies. If employees using social media give away important company information, make information available that threatens the security of company employees, or express frustrations with their employer, this can seriously damage company reputation and negatively affect company performance, not to mention the potential harm that it could bring to personal safety and security. Imagine the ‘snowballing’ through Twitter and Facebook that is possible when an unsubstantiated comment about a problem with a company’s products exponentially spirals out of control, setting the stage for a serious blow to the company’s brand image. Another area for concern is the use of social media by one employee to harass another within the same firm. Officials using social media to monitor employees and potential employees can also lead to legal problems. Finally, a serious problem area involves security breaches from ‘creative hackers’. Another trend is known as ‘tweetjacking’,where the tweets sent out by a company attempting to spread good news about the company are turned against them. What this suggests is that the speed of social media in relation to CSR is lightning-fast, and when companies do things that people see as wrong, they can react immediately and negate any good that the company might have tried to project. The underlying issue is that there is a growing belief among the public that companies are prone to twist things to make themselves look good. The problem of greenwashing mentioned earlier in the chapter has exacerbated this situation, since unsubstantiated claims made by companies have created an impression among many social media users that companies simply cannot be trusted.