Managerial or Organizational Egoism

Egoism is a philosophy which asserts that individuals act exclusively in their own self-interest. Consequences are judged only as they affect "me." The late twentieth century saw manifestations of egoism in phrases such as the "me generation" or "looking out for Number 1." Thus, *egoism* holds that executives should take those steps that most efficiently advance the self-interest of themselves or their divisions or firm. An example of individual egoism might be the product manager who postpones making needed improvements to a mature product, because she knows already that she will be promoted in the next year to a new division and she is interested only in next quarter's financial performance. An instance of organizational egoism would be a firm ordered to install pollution abatement equipment because of illegal discharges that delays until the deadline date so that interest earned from cash-on-hand can be maximized. Obviously, a problem with such a philosophy arises when pursuing organizational goals conflicts with their impact on other stakeholders. Often managerial egoism is used in conjunction with a legalistic approach—the adage that the fiduciary duties of management boil down to "obey the law" and, beyond that, to the view that "the business of business is to maximize profits." Presumably, other required controls over unacceptable behavior will be provided by the invisible mechanisms of the marketplace, competition, reactions by customers, and so forth.

Several problems arise with managerial egoism. First, some moral philosophers do not see egoism as a philosophy at all. Why? An egoist has problems "universalizing" egoism as a guiding philosophy for others, because if the egoist advocated that everybody acts in their own self-interest that prescription itself would *not* be in the self interest of the egoist. A second problem is that some see egoism as being incompatible with the human tendency to be concerned for others in addition to oneself. Finally, there are obvious potential conflicts between individual and organizational egoism. However, philosophical semantics aside, managerial egoism does not stand up to scrutiny for other reasons.

Many questionable marketing practices seem to illustrate the egoistic approach. For example, until recently, public accounting firms were enthusiastic about developing codes of ethics, driven by the belief that these would allow them to continue to bid on audit and consulting contracts despite past scandals. It is also clear that the marketplace does not always provide a fair and level playing field for business organizations and consumers. Furthermore, early growth in the dot-com industry was often characterized by "bending the rules" and "get rich quick" mentalities, ignoring investor and larger industry interests. Responsibilities are owed to stakeholder groups other than shareholders, and these groups may not hold a primary interest in seeing the maximization of short-term return on investment. Insofar as the long-term goals of the managerial egoist are often limited to economic considerations, the long-term interests of the organization are not necessarily best served

EXHIBIT 1-4 Managerial Egoism at Enron

Because Enron believed it was leading a revolution, it encouraged flouting the rules. There was constant gossip that this rule breaking extended to executives' personal lives—rumors of sexual high jinks in the executive ranks ran rampant. Enron also developed a reputation for ruthlessness, both external and internal. [Enron CEO, Jeff] Skilling is usually credited with creating a system of forced rankings for employees, in which those rated in the bottom 20% would leave the company. Thus, employees attempted to crush not just outsiders but each other. "Enron was built to maximize value by maximizing the individual parts," says an executive at a competing energy firm. Enron traders, he adds, were afraid to go to the bathroom because the guy sitting next to them might use the information off their screen to trade against them. And because delivering bad news had career-wrecking potential, problems got papered over—especially, says one former employee, in the trading operation. "People perpetuated this myth that there were never any mistakes. It was astounding to me."

Source: Bethany McLean, "Why Enron Went Bust," *Fortune* December 24, 2001, from www.fortune.com, accessed January 13, 2002.

using this approach.[17] A disastrous example of taking the short-term view is Enron. The quote in Exhibit 1-4 recounts that ethical egoism appeared to be the dominant ethical theory guiding the top management of that firm.

Having addressed the "pretender theories" of relativism and egoism, we now briefly present four general categories of ethical theory—utilitarianism (i.e., consequence-based theories), duty-based approaches (i.e., deontological theories), contract-based perspectives, and virtue-based ethics.

COMPREHENSIVE ETHICAL THEORIES

Unless a manager operates in a completely intuitive manner (and some do), the ability to reason about ethical questions requires some familiarity with the principal theoretical frameworks that have come to dominate the field of moral philosophy. The aforementioned major categories of ethical theories are now presented along with a discussion of how they relate to marketing decisions.

Consequences-based theories

Consequences-oriented theories are sometimes called *teleological*, from the Greek word *telos*, meaning end or purpose. That is, a marketing decision is judged as ethical or unethical depending on the *outcome*. Hence, if the foreseeable consequences of a decision are positive, then the decision is ethical. The major category of theory that falls within the consequences approach is utilitarianism.

Utilitarianism

Probably the most widely understood and commonly applied ethical theory is *utilitarianism*. In an organizational context, utilitarianism basically states that a decision concerning marketing conduct is proper if and only if that decision produces the *greatest good for the greatest number* of individuals. "Good" is usually defined as the *net benefits* that accrue to those parties affected by the choice. Thus, most utilitarians hold the position that moral choices must be evaluated by calculating the net benefits of each available alternative action. It is important that *all* of the stakeholders affected by the decision should be given their just consideration. As mentioned earlier, teleological theories deal with outcomes or end goals. The often-stated declaration, "the end justifies the means," is one classic expression of utilitarian thinking.

Several formulations of utilitarianism exist. Their differences harken back to the original writers on the topic, nineteenth-century philosophers Jeremy Bentham and John Stuart Mill.[18]

One major school of thought, *act utilitarianism*, focuses on the *action* that has been taken, analyzing it along the lines of whether the selected action produces more good than bad consequences. For example, a pharmaceutical company may operate by the principle that it will release any Federal Drug Administration approved drug with some side effects, as long as it helps more persons combat a particular disease than the number troubled by a minor side effect. For another example, Scenario 2 discusses a new drug product dealing with weight gain advertised using two short commercials, one part that introduces the product and a second part that touted its benefits. However, the side effects are not discussed. If the benefits are sufficiently great and the problems with the side effects sufficiently limited, then the action of the pharmaceutical in Scenario 2 is justified on act utilitarian grounds.

A second formulation, *rule utilitarianism*, looks at whether the option or choice conforms to a *rule* that attempts to maximize the overall utility. Some have criticized act utilitarianism on the grounds that it often gives the wrong ethical answer when evaluating individual actions. To use an example from banking, suppose a banker is considering whether it is right to foreclose on the mortgage of a widow and her children. To consider that action in isolation, it is fairly easy to show on act utilitarian grounds that foreclosure would cause more pain than not foreclosing. However, suppose we had a rule that said that banks should not foreclose whenever the action of foreclosing would cause more harm than foreclosing. If that rule were adopted, then banks would be reluctant to lend money. Thus, the rule permitting foreclosure on widows is better for society than a rule that forbids such foreclosure. Rule utilitarians, then, focus on the rules for acting rather than on individual actions themselves. For a rule utilitarian a rule is morally correct when it provides more social good than any alternative rule. For act utilitarians rules are just rules of thumb. For rule utilitarians rules are determinate of right and wrong.

Business executives commonly embrace such consequentialist approaches to ethical problems, because they are so compatible with traditional business thinking. Why? Just as this results-based theory seeks to maximize happiness or *the good*, business executives often hope to maximize profit, return on investment, or share price. If a businessperson draws the broader conclusion that the greatest good is equivalent to the highest profitability and this situation produces the most benefits for society, it is easy to see how these two systems, both oriented to optimum results, are philosophically compatible.

Consequence-Oriented Philosophy and Marketing Management

A strong appeal of the utilitarian approach is its *cost-benefit* character. Marketing managers regularly weigh the pros and cons of alternative economic and managerial actions. This approach to solving business problems is a staple of most MBA programs and therefore is ingrained in the psyche of many administrators. Business executives appreciate the fact that most utilitarians recognize that not everyone will benefit from a particular action. Hence, the emphasis in utilitarianism is upon the *net* utility of the set of outcomes resulting from a decision being considered. Marketing managers, of course, also realize their business decisions must often be placed in the context of a "win-lose" situation. That is, the consequences of a business action are seldom singular; rather they are multiple and may "cut both ways." For instance, in mature markets, the only way to *gain* market share is for at least one competitor to lose share. Or the only approach to increasing long-term shareholder value is to sacrifice near-term profits (and perhaps management bonuses) in favor of future product or market development expenditures.

Another reason marketing managers are so accepting of utilitarian thinking lies in its flexibility in response to differing situations. Utilitarianism accommodates complex circumstances more easily than other, more absolute, philosophical approaches. The factors considered in a utilitarian framework can be conveniently varied from the short term to the long term, or from financial to nonfinancial criteria. While conflicting stakeholder claims *can* be recognized, managers typically weigh business owner or stockholder goals associated with corporate profitability as more important than the goals of other groups such as employees or the community. Do you think this weighting is proper?

For example, in a situation involving the distribution manager of the supermarket chain sending lower quality cuts of meat and vegetables to lower profitability stores in disadvantaged neighborhoods, one can see how this approach *might* be defended. The manager rationalizes that as long as the meats and vegetables are above some minimally acceptable quality level, it is in the best financial interest of the supermarket chain to take whatever action it can to enhance overall operations. With respect to units located in the least affluent areas of the city, economic advantage is maximized by systematically discriminating against these less profitable units. Alternatively, management may also calculate (quite reasonably) that the marginal value of the inner city store can only be maintained by offsetting the impact of higher insurance and security costs and lower sales volume per square foot with other cost-cutting measures. This reasoning may also be combined with recognizing the need to provide higher quality to customers in more affluent areas which may also present the greatest threat from competitors. When compared with the alternative of closing an otherwise unprofitable store (with the external costs of unemployment and less service to that neighborhood), the current practice *may* be the most ethical in a utilitarian sense.

Limitations of Utilitarianism

Consequentialist approaches to ethical reasoning are obviously not without their problems. Perhaps the most evident concern, which applies to almost any formulation of utilitarianism, is the question of who decides what "the greatest good" is. Indeed, usually many opinions exist as to what constitutes the nature of the actual benefits of a particular action. When this is the case, *who* is it that decides which perception of what "good" shall prevail? Is it the CEO, the vice president of marketing, the product managers, or a panel of customers? Second, it appears that utilitarianism is a philosophy where ends sometimes may justify otherwise unacceptable means. That is, just because the outcome of a particular action produces a "net good" for a corporation, or, for that matter, the whole of society, should that necessitate a penalty or expense for some parties? Should any product be permitted in the market if it causes a significant and lasting health problem for a minority of users? Those who practice most forms of utilitarianism recognize that one *cannot* cause great harm to certain others in order to achieve a desirable or noble end. This seems to be the point that animal-rights activists stress in advocating a ban on the use of animals in safety testing such products as cosmetics. In fact, one of the greatest ethical precepts (mentioned earlier) is *never knowingly do harm*. But, the definition of what constitutes "a harm" or a significant harm is subject to debate.

Third, those marketing managers who adopt a primarily economic interpretation of utilitarianism must answer whether such an approach is compatible with the concept of justice. The transformation of utilitarian theory into economic utilitarianism is somewhat understandable, in the sense that a business organization is primarily an *economic* enterprise. But just because an action is economically beneficial, does this mean it is just and proper? For instance, because the market demands sexually explicit Internet pornographic material—and pornography is profitable to most of the parties involved in its production and consumption—is it ethical to market such material? Even though a particular action has produced the greatest economic good for the greatest number, that still does not *prove* that the action is just and proper when both production and consumption are seen to victimize some participants and, arguably, the consumers as well in other than economic terms.

In short, the utilitarian principle to act in a way that results in a greatest good for the greatest number is a popular method of ethical reasoning used by many marketing managers which also presents problems in some circumstances.

Duty-Based Theories

A second category of ethical theories are classified by philosophers as *deontological*, the term coming from the Greek word *deon*, "duty." This impressive sounding word basically indicates that actions are best judged as "good," standing alone and without regard to consequences. Thus, the inherent rightness of an act is *not* decided by analyzing and choosing the act that produces the best consequences, but rather according to the premise that certain actions are "correct" in and of themselves because they stem from fundamental obligations. Intentions or motivations then determine whether a marketing decision is ethical or unethical.

Perhaps the most famous duty-based theory was developed by the Prussian philosopher Immanuel Kant.[19] Kant contended that moral laws took the form of categorical imperatives—principles that defined behavior appropriate in all situations and that should be followed by all persons as a matter of duty. Kant proposed three formulations of the categorical imperative as follows:

1. Act only on maxims that you can will to be universal laws of nature. (Universality)
2. Always treat the humanity in a person as an end, and never as a means merely. (Never treat people as means to an end)
3. Act as if you were a member of an ideal kingdom of ends in which you were both subject and sovereign at the same time. (Moral community)

The first formulation argues that there are universal moral standards. For example, could any society universalize customer shoplifting? The answer is no. Similarly, bribery of government officials by marketers is unethical following the first formulation. The second formulation is concerned with treatment of all stakeholders as persons. Application of this principle in marketing is to never treat customers as means, manipulating their behavior to attain company goals. One of the controversial areas of marketing that might violate this formulation is sex appeal advertising. Exhibit 1-5 reports on a variation of this issue in a European context. The third formulation views any marketing organization as a moral community. Managers, then, should respect the humanity of all workers in the firm and employees should try to achieve common goals and shared ends.[20] In a larger sense, a market, including suppliers, competitors, and customers, constitutes a relevant moral community.

For business, duty-based approaches to ethics have important implications. This theory suggests, among other things, that cost-benefit analysis is inappropriate to the evaluation of some situations. Why? Decisions that produce good corporate outcomes but significantly hurt other stakeholders in the process are not morally acceptable using this line of reasoning. If marketers have a special obligation to vulnerable consumers, for example, the elderly, children, or less educated who are unable to resist advertising appeals that more sophisticated consumers receive with skepticism, those advertising appeals violate that obligation. Also, it suggests that the goal of seeking the maximum *net* consequences of an action may include intermediate steps, which could be judged as morally inappropriate. Why is this so? Because *means* as well as *ends* should be subjected to moral evaluation. Thus, an implication of duty-based theories is that sometimes business executives must take actions that do *not* produce the best economic consequences. To do otherwise could be morally wrong. That is, some actions might violate the basic duty to treat everyone fairly. For example, reflection indicates that the customers of the low-income stores, where the poorest cuts of meat and vegetables are sent, have been used merely as a *means* to obtain a satisfactory economic *end*. For Roche, in Scenario 2, certain overweight consumers have been unjustly discriminated against to the benefit of others. A similar judgment might be applied to the use of fear appeals in promoting certain financial service products. Finally, buzz marketing (Scenario 1) is probably unethical from a duty-based perspective because the intention is to mislead consumers.

Like utilitarianism, duty-based theories are controversial in part because there are many different deontological theories. Various moral philosophers have compiled different lists of basic obligations or duties. While the lists overlap, they are not identical. Second, duty-based theories represent the antithesis of modern relativism (i.e., the notion that the context of particular situations determine the rightness of decisions). Hence, they are viewed by some as not being well suited to our complex, multicultural, and global marketplace, because they emphasize the development of *universal* rules. The very nature

EXHIBIT 1-5 The "Porno-Chic" Advertising Controversy*

France, known for its liberal positions toward provocative advertising, has taken the initiative to lead the European protest against indecent and offensive marketing campaigns. The "phenomenon" at the center of the controversy has been termed "porno-chic." For a time, porno-chic was the marketing basis for several European fashion gurus. A far cry from conservative US marketing standards, the objection of the French (and many other European nations) to porno-chic comes not to its use of nudity. "Nude women in advertising don't pose any problem," says a female official in the Employment Ministry. "It's the violence and degradation that offends people."[1]

So what exactly is porno-chic? Porno-chic is a "naked woman, caressing herself into a state of ecstasy" posted over hundreds of Paris bus shelters. Porno-chic is "women who are bruised, bullied, even consorting with animals."[2] Recently ordered out of Italian advertising was an ad for Cuban beer that featured: "a sultry model kneeling in black bikini with a bottle of Tinama beer between her legs." The tagline: "Have yourself a Cuban."[3]

It is not only the French who have found these types of ads to be degrading and humiliating to women, but also Italy, Germany, and even the European Union have discussed the implementation of more rigid advertising guidelines in both print and television. Although ad agencies cannot be forced to comply with new rulings, most are expected to withdraw press and poster ads if asked to do so. Governments have urged citizens to take action and voice their objection to messages that are "degrading and humiliating" to women. In doing so, authorities maintain that it is not nudity in and of itself ("Bare breasts are used to promote everything from pullovers to Parmesan cheese in continental Europe.") that is under attack; "it is the use of nudity" that is being questioned.[4]

With a market seemingly overrun by attractive naked women, European marketers have been forced to look beyond what has traditionally been considered "bold and sexy." In doing so, they have ignited a moral controversy.

The French government released a report condemning a new breed of ads that were perceived as degrading and humiliating to women. Finally, France's Truth in Advertising Bureau issued new standards on what is acceptable when the human body is portrayed as a means to sell products. These regulations come as a result of a governmental report issued in July.

* Prepared by Diana Laquinta under the supervision of Professor Patrick E. Murphy.

[1] Stephen Baker and Christina White, "Why 'Porno Chic' Is Riling the French," *Business Week*, July 30, 2001, 47.

[2] Ibid.

[3] Alessandra Galloni, "Clapdown on 'Porno-Chic' Ads Is Pushed by French Authorities," *Wall Street Journal*, October 25, 2001, B4.

[4] Ibid.

of such absolute approaches includes certain problems that are inherent in the development of categorical imperatives. Among them are the following:

1. *There are always contingencies that seem to complicate real-world situations.* For example, suppose a sales organization has an absolute rule against the practice of providing gifts to customers. Now suppose, further, it enters a new international market where gift giving is a common and expected practice. Now also consider the prospect that success in this market will determine whether the firm can survive. Should the universal rule be violated or changed to accommodate these contingencies? Other examples also might be explored. What about the prospect of dire consequences if one tells the truth? Are duties to customers or employees conditioned by their comparative vulnerability?

2. *Universals also do not take into account the ethical character of the formulator of the universal principle.* That is, if the morality of the person formulating the principle is flawed, it is possible that the principle itself will be deficient. For example, one might take issue with the universal maxims formulated by egoistic managers who see business as merely a game, the sole purpose of which is the accumulation of personal wealth.

3. *There may not be a mechanism for resolving conflicts among two absolute moral duties.* Managers clearly have a fiduciary responsibility to their shareholders and a duty of fidelity to their employees. What happens when action requires a trade-off between these duties? Which duty takes precedence? Is one universal more absolute than another? What about the duty of motherhood for a female employee versus loyalty to the job and company?

Contract-Based Theories

Social contract theory is based on the most fundamental considerations for maintaining social order and harmony, that is, that individuals must generally agree to abstain from preying on each other and that, to ensure that this does not happen, rules and a mechanism to enforce them are required. For marketers, social contract theory (SCT) has special implications for relationships among competitors and for transactions with less powerful or vulnerable buyers and sellers, especially those who are dependent on a marketer as either a customer or supplier. By implication, social contract theory demands obedience to laws and adherence to the provisions of business contracts.

Rawlsian Theory

One contemporary theory, which is contract based in its approach, was formulated by the late Professor John Rawls.[21] Central to Rawls' thesis is the *original position*, from which one can make impartial, moral judgments. This position should not be influenced by social status, educational opportunities, class position or physical and intellectual abilities. He therefore proposes to cast a *veil of ignorance* on a person's life situation so that the reasoning on the principles of justice is not influenced by those circumstances. Rawls also proposed two principles of justice, which, like Kant's categorical imperative, are not to be violated. These principles are the liberty principle and the difference principle.

The *liberty principle* states that each person is to have an equal right to the most extensive basic liberty compatible with a similar liberty for others.

The *difference principle* states that social and economic equalities are to be arranged so that they are to the greatest benefit of the most disadvantaged.

The liberty principle is fairly understandable in light of the American political tradition. It implies that people have inherent rights, such as freedom of speech, to vote, to due process of law, to own property, and that they have a right to exercise these liberties to the extent that they do not infringe upon the fundamental liberties of others. The Patient's Bill of Rights (incorporated in the McCain-Kennedy Bill) represents a good illustration of the liberty principle. All patients have the right:

- To choose their own doctor
- To independent, external reviews of medical decisions made by their health plan
- To sue their health plan in state court for medical decisions that result in injury or wrongful death
- To sue their health plan for up to $5 million in punitive damages over decisions resulting in injury or death

The difference principle is a bit more complicated. Basically, it states actions should not be taken that will further disadvantage those groups in society that are currently the least well off. In other words, corporate actions should be formulated in such a way that their social and economic effects are of most benefit to the least advantaged. This somewhat controversial principle is basically a call for *affirmative action* on behalf of the poor and politically underrepresented groups in society, comparable to the *preferential option for the poor*, enunciated in recent papal pronouncements.[22] Over time, it is an egalitarian principle that should make those least well off, better off. The difference principle also emphasizes that it would be unethical to exploit one group for the benefit of others. In the example of the public relations firm considering whether to accept a foreign government with a questionable civil rights record as a client, discussed earlier, the difference principle would suggest the agency should forgo that opportunity because the implementation of a public relations campaign could add legitimacy to the (presumably corrupt) ruling foreign government. Furthermore, it might exacerbate the position of a worse off group, namely, citizens in a country where human rights are systematically violated. More generally, it suggests that marketers have superordinate duties to consumers who are illiterate in the workings of the marketplace.

Integrative Social Contracts Theory

A hypothetical social contract takes into account ethical standards developed by groups through real social contact and based on their mutual interest in supportive or, at least, benign interaction. In other words, managers both desire and expect that there be ethical rules to govern their marketplace transactions. They envision global humanity coming together to work out a rational arrangement for ethics in economic life. The rational humans at this global convention would recognize that moral rationality is bounded in the same way that economic rationality is bounded. Thus, T. Donaldson and T. Dunfee, two chief advocates of the SCT approach, conclude that business communities or groups, including managers, should have moral free space because they want to keep their moral options open until they confront the full context and environment of a decision.[23]

In theory, there may be norms that condone murder as a method of enforcing contracts or that endorse racial or sexual discrimination. As a consequence, it can be assumed that the vast majority of people would want to *restrict* the moral free space of communities by requiring that, before any community norms become ethically obligatory, they must be found to be compatible with hypernorms. Hypernorms (the norms by which all other norms are to be judged) entail principles so fundamental to human existence that we would expect them to be reflected in a convergence of religious, philosophical, and cultural beliefs. A list of hypernorms would surely include

- An obligation to respect the dignity of each human person
- Core human rights, such as personal freedom, physical security and well-being, the ownership of property, and so on
- Equity, the fair treatment of similarly situated persons
- Avoiding unnecessary injury to others

The notion that "acceptable standards" of business or industry practice cannot violate hypernorms is one of the basic contributions of integrative social contracts theory. It "establishes a means for displaying the ethical relevance of existing norms in institutions as dissimilar as the European Community, the Sony Corporation, the international rubber market, and Muslim banks."[24]

Virtue-Based Ethics

Virtue Ethics

A final comprehensive theory of ethics is referred to as *virtue ethics*. It has a long tradition and is currently receiving renewed support. In part, virtue ethics is a contemporary reaction to the rampant relativism wherein society seems to lack a way of reaching moral agreement about ethical problems. The relativistic approach to morality seems to be based on the strength of persuasive appeals and intuitionism, whereby, when interests collide, one opinion is as good as another. It is almost a one-person, one-vote method to establishing what is ethical. Virtue ethics has been resurrected to counteract modern relativism.

What exactly is virtue ethics? Its key criterion is seeking to live a virtuous life. In many ways, it is a renaissance of the Greek ideal suggesting that the guiding purpose of life should be the quest for goodness and virtue. In philosophical circles, one of the most prominent proponents of this position is Alasdair MacIntyre of the University of Notre Dame. MacIntyre basically defines virtue as acquired human qualities that enable persons to achieve "the good" in their chosen vocations, that is, the development of personal character.[25]

Virtue ethics differs from the consequences, duty, and contract-based ethics in that the focus is on the individual and not the decision to be made or the principle to be followed. As such, virtue ethics is fundamentally different from the other theories. Advocates of virtue ethics suggest that one problem with contemporary organizations is that when they do look at situations with ethical implications, they are preoccupied with what the public thinks. Put another way, today's corporations may be entirely too reactive, wondering at times whether their actions will be perceived as "opportunistic," "exploitative," or in "bad taste" by the general public. This may be a misdirected effort that can be rectified through virtue ethics. Thus, organizations should instead focus on questions such as "What kind of organization *should* we be?" and "What constitutes the ideally ethical organization?" Companies that know what they stand for and then embody these beliefs in a company credo or values statement are following this approach to ethics. In short, the virtue ethics perspective seems to imply that the question of *understanding* virtue precedes the discussion and development of rules of conduct. Once management understands the nature of a virtuous organization, ethical decision rules are much easier to develop.

Believers in this approach find much value in the writings of Aristotle.[26] While the essence of virtue ethics cannot easily be captured in a few sentences, there are some key elements that reflect this mode of thinking. First, virtues are essentially good habits. In order to flourish, these habits must be practiced and the uninitiated managers in the organization must learn these virtues. This point has powerful implications for managers, including the notion that (a) firms can only become virtuous by engaging in ethical activities and (b) organizations have to teach managers precisely what the appropriate virtues are. In other words, companies have the responsibility to foster ethical behavior. Wharton Professor Thomas Donaldson says, "Aristotle tells us that ethics is more like building a house than it is like physics. You learn to be an ethical manager by managing, not by reading textbooks on philosophy." Professional philosophers sometimes view the practice of business ethics as a theoretical pursuit, continues Donaldson. "It's not. It is an art. It can't be reduced to a science." For an Aristotelian, it's impossible for a company to be too ethical.

A second dimension of virtue ethics is that admirable characteristics are most readily discovered by witnessing and imitating widely acclaimed behavior. Aristotle, while focusing on the individual rather than the organization, listed such virtues as truthfulness, justice, generosity, and self-control as characteristics to which the noble person should aspire. In the theory of virtue, much attention is placed on role models. The insight here is that to be an ethical person is not simply an analytical and rational matter. It takes virtuous people to make right decisions, and virtue is learned by doing. Put another way, the ultimate test and source of ethical conduct is the character of the actor. Aristotle often discussed the lives of obviously good Athenians in order to teach ethics. One learned the right thing to do by observing good people and by doing what they did. Such lessons reinforce the importance of top management serving as role models in the formation of an ethical corporate climate. **Who has been a mentor or role model in your life?**

Companies that are acclaimed for their ethical corporate culture most often can trace their heritage back to the founder's intent on developing an organization that respected human dignity and insisted on a humane way of life. Founders of such companies as Johnson & Johnson shaped their organization so that they embodied the values and virtues that proved personally rewarding. The way of life in the company was not a result of an abstract code of conduct, but rather such statements were later used to spell out exactly what was at the heart of the existing corporate culture. For example, the top management of Levi Strauss has recently put forth four guiding values/virtues—empathy, originality, integrity and courage. (For a complete discussion, visit levistrauss.com.)

Third, a key to understanding virtue ethics and the discipline it requires is based on the *ethic of the mean*. Applied to virtue ethics, the mean is an optimal *balance* of a quality that one should seek. An excess or deficiency of any of the key virtues can be troublesome, as Aristotle effectively argued.[27] For example, an excess of truthfulness is boastfulness. A deficiency of truthfulness is deception. Both of these outcomes (the excess or the deficiency) are unacceptable. (See Exhibit 1-6 for a discussion of the "golden mean.") The Swedish language has a word, *lagom*, that means "not too much, not too little, but just enough." The virtuous marketing manager, then, strives for a balance among the qualities it takes to be an effective manager. For example, she should not be so directive as to be authoritarian, nor so easygoing as to abdicate her leadership role. Golfers may appreciate the analogy that one's goal in the sport is to stay in the fairway and out of the rough. This is the way a marketing manager should behave, by not going to extremes.

EXHIBIT 1-6 Aristotle's Golden Mean

It is in the nature of moral qualities that they are destroyed by deficiency and excess, just as we can see . . . in the case of health and strength. For both excessive and insufficient exercise destroy one's strength, and both eating and drinking too much or too little destroy health, whereas the right quantity produces, increases and preserves it. So it is the same with temperance, courage and the other virtues. The man who shuns and fears everything and stands up to nothing becomes a coward, the man who is afraid of nothing at all, but marches up to every danger, becomes foolhardy.

Source: Aristotle, *Ethics* (London: Penguin Books, 1976), 94.

Obviously, there is disagreement about exactly which characteristics should appear on a list of virtues to which an organization should aspire. Over the years, different philosophers have compiled many different lists. Business executives and professors have enumerated virtues (Exhibit 1-7) that they feel are most important for international marketing.[28] Whether a particular corporation elects to foster those virtues is another issue.

However, let's assume for a moment that an organization accepts the virtue ethics approach to corporate conduct. In other words, they subscribe to the belief that an organization should be "all that it can be" in an ethical sense. Then, with regard to the scenarios discussed earlier, one might conclude that (a) the virtuous organization has no need to provide gifts to purchasing agents in order to secure product orders; (b) the virtuous organization should be totally truthful; therefore, it has no problem with disclosing a change of components, as well as updating consumers with regard to the reliability of all their brands; and (c) the virtuous organization will not stoop to fear-generating emotional appeals to sell its products—manipulation is wrong; thus, almost all fear appeals would be inappropriate.

One logical objection to the application of virtue ethics in an organizational context is that it would sometimes be very difficult to agree on what, in fact, constitutes "the good." What virtues should an organization emulate and how should those virtues be operationalized in company policy? The contemporary philosopher MacIntyre and other recent proponents of virtue ethics seem to deal with this situation in the following way. First, they recognize a great diversity of virtues exists in society. However, in many cases, particular organizations are self-contained. It is within the context of individual companies that the notion of appropriate virtues should be explored.

EXHIBIT 1-7 Virtue Ethics for International Marketing

Virtue	Definition	Related virtues	Applications to marketing
Integrity	Adherence to a moral code and completeness	Honesty Moral courage	Conveying accurate and complete information to consumers
Fairness	Marked by equity and free from prejudice or favoritism	Justice	Selling and pricing products at a level commensurate with benefits received
Trust	Faith or confidence in another party	Dependability	Confidence that salespeople or suppliers will fulfill obligations without monitoring
Respect	Giving regard to views of others	Consideration	Altering products to meet cultural needs and refusing to sell unsafe products anywhere
Empathy	Being aware of and sensitive to the needs and concerns of others	Caring	Refraining from selling products to consumers who cannot afford them

Source: Patrick E. Murphy, "Character and Virtue Ethics in International Marketing," *Journal of Business Ethics* (January 1999), 113.

Second, consistent with Aristotle, they assume these virtues will be "other directed" (i.e., undertaken for the good of the community rather than in a self-serving manner). Third, this theory assumes people aspire to a higher level of ethics. Unfortunately, we know that this is not always the case. Hence, virtue ethics is sometimes criticized as being too idealistic.

It is important to note that we find the corporation among the more controlled communities in modern society. Each corporation has its own *corporate character*, often rooted in religious values (discussed next). It is within the context of corporate culture that a particular firm can seek virtues appropriate for that organization. All of this, of course, underscores the importance of developing an ethical corporate culture that facilitates appropriate managerial behavior. The idea of a corporate culture rooted in ethics follows from the "shared community" worldview discussed in the Introduction. The steps necessary to do this are a topic of this book's concluding chapter.

Religious Models of Marketing Ethics

The various ethical schools of thought presented previously are properly characterized as mostly *secular* or *civic*. They are the product of moral reasoning, based on human experience, and can be viewed as applying to and derived from nature or the world as opposed to any religious or sectarian source. While these ethical theories have, directly or indirectly, been embraced over time by religious teachings and traditions, it is important to recognize their independence from them.

However, it is also relevant to recognize the extent to which religion contributes to the ethical standards observed in the world. Because of the historical importance of trade, both within and between communities, it was natural for people to seek moral guidance from religious sources, and for religious leaders to provide such guidance as representing divine instruction. In particular, the Judeo-Christian, Confucian, Jewish, Islamic, and Buddhist religions have ethical precepts at their core. All have supported a variation of the Golden Rule for centuries. (See Exhibit 1-8.) Although the religious perspective is sometimes expressed as opposing business institutions, the world's religions have much to offer in terms of ethical guidance to marketers. In recognizing cultural influences over human behavior, regardless of their own religious heritage, students of marketing (particularly global marketing) are well advised to become familiar with such primary rules and principles from religious sources. They continue to be a dominant force in the development and maintenance of social norms.

Religious leaders have often preached that the answers to the majority of moral questions, business-related or otherwise, could be found in the Bible. There has also been considerable debate about the level of guidance generated by religious principles. Proscriptions like "thou shalt not steal" are fairly unambiguous. On the other hand, many situations that the contemporary corporate manager is faced with are exceedingly complex and defy the simple application of biblical precepts. Despite the difficulty of applying religious teachings, often rooted in centuries-old social conventions, to contemporary marketplace problems, to ignore them would be a serious omission. (We discuss a sample of religious traditions below and use Catholic Social Thought as our example of Christianity, knowing several prominent [and fairly compatible] Protestant approaches also exist.)

Roman Catholic Social Thought

Beginning in the late nineteenth century, in a belated response to the challenges posed by the Industrial Revolution, popes and bishops of the Roman Catholic Church began to seek scriptural wisdom and to interpret it in light of modern circumstances. One notable attempt to inject moral values