
UNIT 19 ETHICAL DIMENSIONS

Objectives

After going through this unit, you should be able to:

- get insights into the ethical dimensions of retailing;
- explain the linkages between legal and ethical issues in the retailing domain space and ethical retail concepts;
- describe the ethical standards prevalent in the retail industry;
- get an understanding of business behaviors which are within and fall outside acceptable ethical standards;
- discuss merchandising and operating ethics pertinent to retailing; and
- to foster reasoning and analysis to permit ethical concepts to be applied to business decisions.

Structure

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19.1 INTRODUCTION

Is the marketing concept of "customer satisfaction at a profit " a sufficient guideline for conducting an honest fair and equitable retail business?" For most retailers the answer is a clear "NO"!

The reason *for* this negative response lies in the reality that retailers are a part of a much larger environment that incorporates the competing aspects of shareholding, managers, employees, vendors and the community, as well as the needs and wants of the firm's customers. In this unit we will make you understand the importance of some of the Ethical issues in retail management.

Although being customer focused is an absolute credo for most retailers, customers' want and needs can and often do conflict with society's long-term interest.

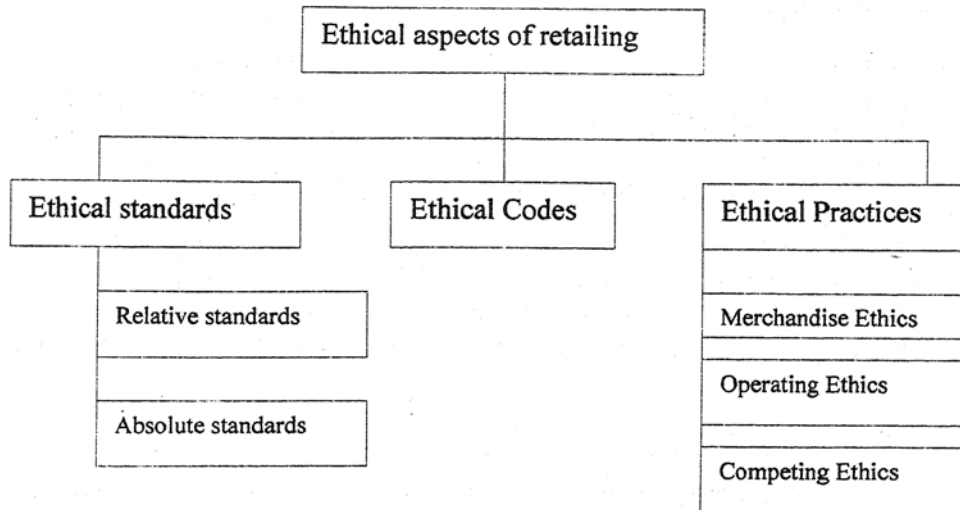


Figure 19.1

19.2 ETHICAL STANDARDS

It is important for you to understand that the retail firm's organizational culture guides its employees and managers in determining right from wrong, fair from unfair, loyal from un-loyal, trust worthy from untrustworthy, and a host of other ethical issues and value distinctions."

"Values" are core beliefs or desires which guide or motivate attitudes and actions'. Not all values involve ethics. Ethical values such as honesty, fairness, and loyalty involve the notion of moral duty and 'reflect attitudes about what is right, good and proper rather than what is pleasurable, useful or desirable. Values such as happiness, fulfillment, pleasure, personal freedom and being liked and respected are all ethically neutral because they deal with matters other than moral duty and obligation.

Further it is important for you to understand that today's lapses in ethical conduct by individuals within organisation are more often motivated by the most basic of instincts-fear of losing their jobs or the necessity to eke out some benefit for their companies. If it means fudging a few sales figures, abusing a competitor, or shortchanging the occasional customer, so be it'.

Breaches in moral and ethical conduct usually start with minor infractions and progress to more serious transgressions over time. Judging the morality of a particular action can be approached using either relative or absolute terms.

19.2.1 Relative Standards

It is important for you to understand that in using relative standards, the retailer judges the morality of an act on the basis of the particular circumstances surrounding the action. Further you will appreciate that there are no absolutes when judging relative standards as ethical behaviour involves making judgments using subjective, situational and culturally determined criteria.

This relative type of situation ethics comes in two basic forms:

Utilitarianism: Where we judge not the act but the consequences of the act. If the results mean a net increase in society's happiness or welfare, then the act is believed to be morally right like saying "the end justifies the means".

Intuitionism: A decision is considered right if the individual's intuition or conscience tells him or her that it is right. If the person's sixth sense or gut feeling says that it is okay, that his or her motives are good, and that he or she does not intend to hurt any one, then he/she can go ahead with it.



19.2.2 Absolute Standards

These are standards which have rigid rules that clearly state whether an act is right or wrong; using these standards constitutes ethical behaviour and is clear regardless of the circumstances surrounding the situation.

These timeless truths are typically based on religious teachings:

Example: The Bible has provided fixed guidelines such as "Do unto others as you would have them do unto you" (The Golden rule of Reciprocity) and "Thou shalt not lie" and "thou shalt not steal" provide direct answers that appeal to some decision makers. Others promote the concept that ones priorities should be faith, family and career.

Activity 1

Visit the nearest supermarket in your neighbourhood and talk to atleast two store executives about what they think are ethical standards which are expected of them as part of their job responsibility.

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19.3 ETHICAL CODES

As we all can infer from the previous discussion that developing a practical and operational code of ethics or establishing a set of principles for ethical decisions making is a difficult and complete task. Some 90% of the nations largest corporations have now developed written codes of ethics that prescribe what is and is not acceptable.

In their day to day operations for example almost one-third of the America's biggest firms have designated an 'Ethics Officer'. An effective ethics program has become an insurance policy against huge court fines. Companies get off lightly if they can show they are not only against sin but have taken steps to prevent sinning and catch sinners.

Further studies have shown the following similar conclusions regarding the implementation of an ethics program for business organizations such as:

- Codes of ethics must be more than legal or public relation ploys.
- These codes to be useful, understandable and practical.
- Visible signs of support for ethical practices must be forth coming from management, with the moral tone of corporate conduct being set at the top.
- There is no single approach to business ethics that is ideally suited to a particular organization.
- The top management must champion its demand for the highest ethical posture for its company.

Further, you would appreciate that successful enterprises are inevitably based on a network of trust binding management, employees, shareholders, lenders, suppliers and customers. When companies slip into shoddy practices, these crucial relationships start to deteriorate.



Retailers can implement ethics programs by adopting an already established ethics code.

Activity 2

Taking you discussion forward try to understand what is the basis for determining the operations code of ethics and if there is a "ethics officer" what is his role. Also report on how they address issues of violation of ethics.

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19.4 ETHICAL RESPONSIBILITIES OF THE RETAILER

A retailer's professional conduct must be guided by the following:

- The basic rule of professional ethics, not knowingly to do harm.
- The adherence to all applicable laws and regulations.
- The accurate representation of their education, training and experience
- The active support, practice and promotion of the code of ethics.

Honesty and Fairness

Further marketers shall uphold and advance the integrity, honor and dignity of the retailing profession by:

- Being honest in serving consumers, clients, employees suppliers, distributors and the public.
- Not knowingly participate in conflict of interest without prior notice to all parties involved.
- Establishing equitable fees schedules including the payment or receipt of usual, customary and legal compensation for marketing exchanges.

Rights and Duties of Parties in the Marketing Exchange Process

Participants in the marketing exchange process should be able to expect that:

- Services offered are safe and fit for their intended uses.
- Communication about offered products and services are not deceptive.
- Ensure that both parties discharge their obligations-financial and otherwise in good faith.
- Appropriate internal methods exist for equitable adjustment and/or redressal of grievances concerning purchases.

It is understood that the above would include, but is not limited to, the following responsibilities of the retailers:

Product development and management

- Disclosure of all substantial risks associated with the product or service usage to the consumer.



- Identification of any product component substitution that might materially change the product.
- Identification of extra-cost added features.

Promotions

- Avoidance of false and misleading advertising
- Rejection of high pressure manipulations or misleading sales tactics.
- Avoidance of sales promotions that use deception or manipulation.

Distribution

- Not manipulating the availability of a product for purpose of exploitation.
- Not using coercion in the marketing channel.
- Not exerting undue influence over the resellers choice to handle a product.

Pricing

- Not engage in price fixing.
- Not indulging in predatory pricing;
- Disclosing the full price associated with any purchase

Market research

- Prohibiting selling or fund raising under the guise of conducted research.
- Maintain research integrity by avoiding misrepresentations and omission of pertinent research data.
- Treating outside clients and suppliers fairly

Activity 3

Talk to a few retailers and try to understand how they perceive ethics and what do they think are the rights of a consumer and how do they go about informing the same.

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19.5 ORGANISATIONAL RELATIONSHIPS

Retailers should be aware of how their behaviour may influence or impact on the behaviour of others in organizational relationships. They should not demand, encourage or apply coercion to obtain unethical behaviour in their relationships with others such as employees, suppliers or customers.

Some of the aspects about which the retailer needs to be mindful of are as follows:

- Apply confidentiality and anonymity in professional relationships with regard to privileged information.



- Meet their obligations and responsibilities in contracts and mutual agreements in a timely manner.
- Avoid taking the work of others, in whole or in part, and representing this work as their own or discretely benefiting from it without consent or compensation of the organizer or owner.
- Avoid manipulation to take advantage of situations to maximize personal welfare in a way that unfairly deprives or damages their organization or others.

Example 1: A discount store retailer charges a lay way cancellation fee of as much as 20 % of the purchase price of the merchandise.

Example 2: A retailer who lays a policy involves that demands consumers/ customers forfeit their money and merchandise if they do not meet payment deadlines.

Thus you need to understand that ethical values translated into active language, establishing standards or rules descriptive of the kinds of behaviour an ethical person should have and engage in ethical practices.

The following list of principles incorporates the characteristics and values that most people associate with ethical behaviour/decision making:

Honesty: Ethical executives are honest and truthful in all their dealings and they do not deliberately mislead or deceive others by misinterpretations, overstatements, partial truths, selective omissions, or any other means.

Integrity: Ethical executives demonstrates personal integrity and the courage of their convictions by doing what they think is right even when there is great pressure to do otherwise. They will not sacrifice principles of expediency, be hypocritical or unscrupulous.

Promise-keeping and Trustworthiness: Further they are worthy of trust, candid and forthcoming in supplying relevant information and correcting misapprehensions of fact. Also they make every reasonable effort to fulfill the letter and spirit of their promises and commitments.

Loyalty: Ethical executives who are trustworthy demonstrate fidelity and loyalty to persons and institutions by friendship in adversity, support and devotion to duty; they do not use or disclose information learned in confidence for professional advantage.

They safeguard the ability to make independent professional judgments by scrupulously avoiding undue influences and conflicts of interests. They are loyal to their companies and colleagues and if they decide to accept other employment, they provide reasonable notice, respect the proprietary information of their' former employers and refuse to engage in any activities that take undue advantage of their previous position.

Fairness: Ethical executives are fair and just in all dealings. They do not exercise power arbitrarily and do not use overreaching or indecent means to gain or maintain any advantage or take undue advantage of another's mistakes or difficulties.

They manifest a commitment to justice, the equal treatment of individuals, tolerance for the acceptance of diversity and they are open-minded-willing to admit they are wrong and where appropriate, change their positions and beliefs.

Concern for Others: Ethical executives are caring, compassionate, benevolent and kind. They live by the "Golden Rule". They help those in need and seek to accomplish their business objectives in a manner that causes the least harm and the greatest positive good.



Respect for others: Ethical executives demonstrate respect for the human dignity, autonomy, privacy rights, and interests of all those who have a stake in their decisions. They are courteous and treat all people with equal respect and dignity regardless of sex, race or national origin.

Law Abiding: Ethical executives abide by the laws, rules and regulations relating to their business activities.

Commitment to Excellence: Ethical executives pursue excellence in performing their duties, are well informed and constantly endeavor to increase their proficiency in all areas of responsibility.

Leadership: Ethical executives are conscious of the responsibilities and opportunities of their position of leadership and seek to be positive ethical role models by their own conduct and by helping to create an environment in which principled reasoning and ethical decision making are highly prized.

Reputation and Morale: Ethical executives seek to protect and build the good reputation for the company and the morale of their employees by engaging in no conduct that might undermine respect and by taking whatever steps that are necessary to correct or prevent inappropriate conduct of others.

Accountability: Ethical executives acknowledge and accept personal accountability for the ethical quality of their decisions and omissions to themselves, their colleagues, their company and the community.

Activity 4

Make a visit to a few of the retail outlets in your area/location and talk to the department executives to understand their responsibilities towards the customer and their employer.

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19.6 SUMMARY

In this unit we discussed the importance of ethical behaviour in retailing and the need for creating code of conduct that is derived from obligation. Then we went on to discuss the role of relative and absolute approaches in judging the morality of a particular action.

Further we discussed the responsibilities of the retailer towards the consumer, consumer awareness of his rights. The unit was concluded by discussing the role of organizational relationships and their bearings on the corporate culture.

19.7 KEY WORDS

Ethics: Defined as a system of code of conduct based on universal moral duties and obligations which indicate how one should behave.

Organisational Culture: A set of values shared by all the members of a organization.



Predatory pricing: A pricing tactic in which the retailer charges customers differently for the same merchandise in different markets to eliminate competition in one of those markets.

19.8 SELF ASSESSMENT QUESTIONS

- 1) Have you found any clear cut cases of unethical behaviour in your dealing with a retailer? What was the nature?
- 2) Is the marketing concept of "customer satisfaction "at a profit a sufficient guideline for judging the ethics of business practices? If so Why?
- 3) Describe any two approaches for judging the morality of a particular business action?
- 4) Elaborate on the responsibilities of a retailer and the rights of an consumer?
- 5) Elaborate on the acceptable ethics that must be practiced by a retail executive?

19.9 FURTHER READINGS

Hersheley. K Friedman and Lina Feidman- "*Framework for Organisational Success*"-Journal of Business Ethics, 7 (March 1988).

Lawrence B. Chonko, "*Ethical Decision Making in Marketing*" (Thousand oaks, CA: Sage publications, 1995).

Dave pewrry, "*Reinforcing Business Ethics in a Recession*", Retail Control (November 1991): 36