

Functional Areas in Business Management Some Ethical Issues in Marketing and Advertisement & in Human Resource Management

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INTRODUCTION

President Roosevelt and Winston Churchill were, great friends. Once, Roosevelt wanted to meet Churchill without any prior engagement or appointment. When Roosevelt entered into his room, Churchill was completely naked and was getting himself massaged. Churchill was not at all ashamed. He said, "Everything is open before you, I have nothing to hide from you". This is, indeed, the spirit of transparency where everything is open except the physical body. As it is well-known, many of the financial and accounting scams and scandals in our times are occurring more because of its absence rather than its presence. **Transparency and accountability** are the two critical words in the corporate world especially in the areas of functional management.

The functional areas in business management are concerned with the practical application of management principles in different fields of day-to-day business activities. These areas are human resource management, advertisement, marketing, finance, information technology, and so on. In all such activities, cognitive ethical principles need to be followed. The general ethical principles that these areas are supposed to apply are: justice and fairness in all dealings, producing good consequences to individuals and society, no harm or injury to any individual, respect towards individuals, obeying of certain categorical imperatives, respect for individual rights including human rights and creation of common good or social welfare.

The present chapter will discuss the ethical issues in the management of functional areas. In particular, it will focus on the ethical norms and unethical practices in various fields of management and also on associated problems and their impact on business policy and strategy. The chapter is not meant to teach management principles but to expose the unethical practices in the functional areas of business management.

ETHICAL ISSUES IN MARKETING AND ADVERTISEMENT

Over the years, substantial paradigm shifts have taken place in the areas of marketing. Some of these will be highlighted here.

Paradigm Shifts in Marketing Management

In the realm of paradigm shift in marketing management, the following three changes are noteworthy:

1. The emphasis has shifted from the philosophy of “let the buyer beware (caveat emptor)” to that of “let the seller beware (caveat venditor)”. The implication is obvious. The responsibility of sellers has enormously increased.
2. In the case of marketing, there has been a paradigm shift from products to process. Marketing involves not only selling but the creation of the whole gamut of the process of product creation and its disposal: the cycle of product procession.
3. The focus has largely shifted from materials or goods to men and the building up of a sustained relationship between the buyer and the seller.

Ethical Dilemmas in Marketing

Marketing, it should be noted, is not simply about selling but it has a broad connotation of creating a socioeconomic relationship between buyers and sellers while discharging some social responsibilities. The process of marketing involves many types of ethical issues or questions. For instance, suppose a consumer wants to consume a product which is not good for his health. Should the marketer supply it? Opinions differ in this type of situation. Some will say that since it is a harmful product, the marketer should not supply it; others will say it is quite ethical to supply a product when it is demanded (Kotler, 2004). However, many will not agree with the view of Kotler. The whole problem stems from the fact that it has not been unanimously decided as to what constitutes marketing ethics? What are its boundaries and what principles are relevant for its working? However, in a very broad perspective, the following factors can be taken to be the constituents of marketing ethics:

What is Marketing Ethics?

- ❖ Honesty in all marketing transactions
- ❖ Responsibility for the goods sold
- ❖ Openness in all dealing
- ❖ Fairness in all the deals (absence of cheating or deception at any stage)
- ❖ Respect for human dignity
- ❖ Disclosure of information regarding the product
- ❖ Selling products that are not harmful or injurious
- ❖ Absence of unethical means to sell the product (no unethical advertisements)
- ❖ Charging fair prices
- ❖ Truthfulness in disclosing the quality and effect of the product being sold (no hiding of information)

The British Code of Advertising Practice is based on the four fundamental ethical principles—Truthfulness, Legality, Honesty and Decency. The basic purpose of advertisements is supplying information about a product and generating a persuasion to buy it. The consequentialist philosophy will say that an advertisement is good for the society if it brings happiness to the largest number of people and especially so if the marketing of the product does have the same effect. However, if the advertisement of the product and the product itself brings any harm or injury to the largest number of people, then both the advertisement and the product marketing are unethical. A note of caveat! If the product is good but its advertisement is unethical, the advertisement is not acceptable. On the other hand, if the advertisement is good (ethical) but the product is not good, the whole marketing process becomes unethical.

Unethical Practices in Marketing

In the process of product market, we should take into account the whole range of issues related to product, pricing, packaging, promotion and placing (distribution). In all these processes, many firms are engaged in certain unethical practices in the following ways:

Products: These are not always safe and harmless. They may be adulterated, qualitatively poor and may contain some substances whose effect on health may be dangerous. The buyers may be ignorant about the long-run impact of the ingredients. For instance, research has revealed that coke contains some carcinogenic substances. Sugar substitutes taken by diabetic patients are more harmful than sugar itself. It is the moral duty of the marketer to supply those products which are completely harmless, but this is not always done. The effects of the product are not always disclosed. In many medical products, the warning signals are not given and the impact on the children is not mentioned. As news items often disclose, chemists are in the habit of selling expired medicines to uneducated, rural people.

Pricing: Dealers and manufacturers often charge either too high (skimming or gouging) or too low (predatory or penetrating) pricing. There are many methods of price fixation (Ghosh, 2010) but manufacturers often indulge in charging unethical prices and not just prices. Predatory prices are charged to eliminate competition, often unethically. The retailers sometimes charge higher than what is written as MRP on the label. Many sellers use discriminatory pricing policy. There may also be dumping of goods at a very low price just to capture the market at present and to increase the prices at a later date.

Packaging: Does not often mention the safety instruction or level and no expiry date. Packaging may be done with harmful materials like plastics.

Placing (Distribution): May be often uneven but, certain products are not distributed in all the areas and an artificial scarcity is created by the dealers to charge higher prices. Many products that are distributed in the market are pirated or violate the copyright act. Shoddy and adulterated goods (like medicines) are also sold by bribing the hospital directors or purchase officers.

Promotion (Advertisements): Promotion of the product through advertisement is the most unethical part of marketing.

Advertisements: As H.G. Wells once remarked, advertisement is a sort of legalized lying. Very often it makes false claims, and is deceitful and implies cheating. The products which are used for slimming, improving skin colour and hair growth might be misleading and false. Products like fairness cream, slimming tea or belt, or new hair growth formula are all hoax, and unsuspecting customers are duped by these types of unethical ads. Sometimes, foreign names are used as brand names to dupe the customers who think that the product might have been imported for the local market. Thus, such brands are misleading. Very often, in the advertisement for tobacco or alcohol a surrogate advertisement is used that shows these products not directly but along with another product or occasion like a big royal party or a get together. In many advertisements these days, young girls are shown in skimpy outfit for sex appeal in order to woo would-be customers. TV ads are notorious for this matter. Such ads might have a negative impact on young school-going kids.

ETHICAL ISSUES IN HUMAN RESOURCE. MANAGEMENT (HRM)

The history of all the hitherto existing societies is the history of their human beings, their culture and capabilities. Workforce is the heart of an organization. It is used in administration, supervision and management, production and distribution, marketing and technology development. The importance of

HRM can hardly be exaggerated in the system of business management. In the following discussion, an attempt will be made to focus on some ethical dimensions of HRM, apart from other related topics.

HRM

Narrowly defined, HRM consists of acquisition, development and utilization of workforce for the benefit of a business organization. Broadly speaking, it includes recruitment, training, positioning, allocation, motivation, performance appraisal, promotional policy, welfare consideration, workforce strategy and policy, forecasting of workforce demand and supply, and developing a committed workforce through a healthy relationship between the employer and the employees and also between the employees themselves to work as an organized team.

Paradigm Shifts in HRM

Many types of structural changes have taken place in recent years in the management of human resources. Some of the major changes are given below:

- ❖ There has been a paradigm shift of emphasis on the recruitment of people based on hard skill or academic qualifications to overall personality endowment, or what is called soft skill development (For details on soft skill development, see, Ghosh, 2011).
- ❖ Internationally useful skills are given more importance than locally useful skills. These include knowledge of languages, cross-country culture, leadership spirit, and so on.
- ❖ The emphasis in HRM has shifted from recruitment of good people to the retention of these people (Karnik, 2006).
- ❖ In the days of value-based management, the emphasis has shifted from the creation of physical productivity to value creation that includes the idea of value added as well as ethicality and human values.
- ❖ There has been a definite shift of emphasis from a legalised and formalised settlement of conflict to a more personalized and humanized system of resolution of discord and dissensions.

Challenges in HRM

Several challenging areas have come to the surface in the matter of HRM particularly in the era of globalization in addition to the traditional problematic areas. Some of these challenging situations will be pointed out in the following points:

- ❖ The training of workforce poses a challenge. Not only does it involve funds but also a choice of the right type of training that the organization will need both in the short-run and in the long-run. Another connected problem is that after training, many of the trainees leave the organization.
- ❖ The problem of brain drain is a real challenge to those organizations that need highly qualified workforce. The issue is how to retain them. Globalization has made labour more mobile and footloose and hence, the retention of good labour is indeed a problem.
- ❖ To maintain allocative efficiency where the productivity of a factor is just equal to its remuneration, is also a challenge. This is so because the firms do not, strictly speaking, calculate the marginal productivity of labour before making the factor payments.
- ❖ The removal of discrimination is a tricky issue. The discrimination may be due to age, race, caste, religion, and so on. There may also be gender discrimination in recruitment, promotion, allocation of jobs, and so on. Sometimes, it becomes a very sensitive issue. Connected to this issue is the

problem of reverse discrimination where the weaker section has already been enjoying a favourable position for a long time. Thus, there is a reverse discrimination for those who are discriminated now (maybe high-caste employees). How to solve this problem? There is no easy solution.

- ❖ Pay differences among various ladders of services or jobs are substantial in some firms. For instances, in many educational institutions in foreign countries (as in Malaysia), the pay of a lecturer is 3,000 Ringgit per month but the pay of a Professor is 15,000 Ringgit. Both these posts need doctorate degrees. Is such a difference in pay justified? The removal of such a gap in pay is a great challenge for some firms.
- ❖ There may also be a problem of alienation among some employees; it may be an alienation from the product, alienation from organization and alienation from the working environment. With the growth of sophisticated and expensive products being produced by factories, the ordinary workers feel alienated when they cannot buy them, as Karl Marx observed. It is indeed a challenge to solve this problem, and unless it is solved, the workers feel themselves aloof and disinterested.
- ❖ Many foreign organizations believe that there is an economy in high wages. High wages should lead to higher labour productivity. It comes under the scheme of incentives. But how the individual firm should go about it and how to make sure about its effectiveness in micro perspective are some of the critical challenges in FIRM.
- ❖ While it is accepted in principle that there should be a balance between the economic efficiency of a firm and its ethical policy-making, nobody is sure as to how to bring this balance through a change in wages and salaries.
- ❖ To enhance the contestability of employees through capability expansion is perhaps one of the greatest challenges in FIRM today.

Unethical Practices in HRM

There are rampant unethical practices in HRM. Some of those practices are listed as under:

- ❖ Many firms use discriminatory policies in recruitment, promotion, wages payment and even in work allocation. This includes gender and caste or religious discrimination.
- ❖ Firms often do not care for safety, health, job satisfaction and comfortable working environment.
- ❖ HRM policies may be absent or biased with respect to promotion, recruitment, reward and punishment.
- ❖ Workers' rights and unionism are not looked upon favourably by employers.
- ❖ While practicing downsizing and lay-offs, sufficient prior notice is not given to employees.
- ❖ Many firms are engaged in exploiting workers by giving them unjustifiably lower wages.
- ❖ Sometimes privacy is not allowed and this goes against the women workers.
- ❖ Forced labour and child labourers are used by many firms.
- ❖ Hiring and firing policy is extended too far to threaten the workers.
- ❖ Sexual harassment prevails in many firms in both overt and covert forms.
- ❖ Industrial disputes are solved high-handedly without much consideration for the inferior economic status of workers. Conflicts are not settled through negotiations and co-operations.

- ❖ For the exploited workers, compensatory justice policy is either delayed or completely denied.
- ❖ No affirmative actions are permitted.

Qualities of a Good Employer

- ❖ A good employer is always considerate. He follows the principle of natural justice and fairness in dealing with cases of aberrations.
- ❖ He guides his employee in a proper way, respects them and is their well-wisher. He obeys the principles of human rights.
- ❖ His HRM policy is based on justice and fairness in the matters of recruitment, promotion and dismissal. There is no discrimination and harassment.
- ❖ He keeps the working environment comfortable, safe and healthy.
- ❖ He solves all disputes and conflicts in an amicable way.
- ❖ He does not exploit workers but allows them fair wages.
- ❖ He never resorts to unethical short-cuts to win over workers.
- ❖ Like the Japanese system, he builds a life-long relationship with employees.
- ❖ He respects privacy, permits unionism and allows whistle blowing.
- ❖ He is in favour of capability expansion of workers, human development and employees' welfare maximisation.

He becomes a fatherly figure and works as a friend, philosopher and guide to the workers. He is well-respected by all workers and he never creates a chance for an enmity between him and the workers. He believes in industrial democracy and works as a trustee. He remains thoroughly ethical in his behaviour and cares for ethical and social responsibilities associated with his own business. An ideal employer is inspired by the ethical principle of care and compassion and he forgiving in nature. He bears no ill-will against anybody and shows his love to all and sundry.

CONCLUSION

The functional areas of business management are concerned with practical application of management principles in different fields of day-to-day business activities, including marketing, advertising, human resource management, accounting production and operation management information technology, and so on. In all these areas, the manager encounters ethical dilemmas and has to confront many types of unethical practices. The general ethical principles that these areas are supposed to apply include justice and fairness in all the dealings producing good consequences to individual and society, no harm to any individual, respect for individuals, obeying of certain categorical imperatives and the creation of common goods.

Marketing is not simply about selling but it has a broad connotation of creating socio-economic relationship and discharging some social responsibilities. Thus, in selling products or services, there should be truthfulness, honesty, legality and decency. Bad goods should not be marketed at any cost. Many a time it is found that the product is good but its advertisement is unethical, or the product is bad but its advertisement is a hoax and gives wrong information to the public.

Unethical practices in HRM include the the practices of child or forced labour, discriminatory practices in recruitment, unsafe working place, no provision for privacy, exploitation of workers and the like. Unethical issues in production and operations management are many.

Besides all these, the working conditions and factory environment, particularly in the developing economics, are inhuman to say the least. In many cases, occupational or functional safety measures re not provided, there may be arduous and long hours of work, inside and outside pollution in the factory and nose pollution. It has been empirically found that many diseases like cancer, asthma and bronchitis are job-related. It is instructive to note that efficient business management is not the same thing as ethical business management.

Ethics in Management is very much essential and to be strictly followed in all functional area of management and the whole management to follow strictly the ethical issues and dilemmas in the present competitive global business environment.

