

Strategic Chronicle™

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Social Responsibility and the Commercialization of Society

While the pursuit of growth and profits continues to rule daily life within the corporate world, a growing number of businesses are also measuring their success against one of the most fundamental ethical principles of business – that of “social responsibility.” Businesses across sectors are taking stock of their social responsibility and placing ethical limits on their actions to ensure that the legitimate pursuit of financial success does not undermine the common good.

Voluntarily, or through regulatory action, business has been held to the ethic of the common good many times in recent history.

The latest issue of corporate social responsibility is the commercialization of society and culture. ...many people are beginning to wonder if the commercialization of every aspect of society isn't mortgaging the soul of our culture.

During the 1970s and 1980s, manufacturing processes that were detrimental to public health and environmental well-being fell under regulatory control, despite the fact that, in many cases, socially responsible manufacturing processes impacted corporate profits.

During the 1990s, the tobacco industry was dismayed to learn that pursuing its financial success at the expense of public health would not be tolerated. This led to a multitude of successful public and private lawsuits against the tobacco companies that cost them hundreds of millions of dollars.

During 2000, corporate profitability was at an

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all-time high and CEO salaries had soared to unconscionable levels. Public outcry over corporate and individual greed in the face of under-funded and unsolved social problems reminded many corporations of their role as corporate citizens and their ethical responsibility to allocate a portion of corporate wealth to the betterment of the surrounding society and culture.

During 2003, with 300,000 preventable deaths occurring each year from chronic conditions that result from unhealthy eating habits, snack food makers and fast food restaurants have found themselves under fire to develop healthier products or face health-related lawsuits and regulatory intervention.

The latest issue of corporate social responsibility is the commercialization of society and culture. As modern businesses work harder to deliver unending growth and earnings in their increasingly saturated markets, many people are beginning to wonder if the commercialization of every aspect of society isn't mortgaging the soul of our culture.

Whether it is the “no-brand” movement or the national “do not call” list, society is asking if businesses are going too far to sell their products and services as they violate every aspect of our culture and society with commercial messages. Does this commercialization of society evidence another evasion of social responsibility on the part of individual corporations and the business community at large?

Today, marketing executives are faced with a difficult,

if not impossible job – to drive unending consumption. As the traditional approaches to marketing and advertising become less effective, marketers are devising new strategies to invade hitherto public, social, and cultural realms that were not previously considered to be part of the “marketplace.” Professionals attending major marketing and advertising conferences now hear about “entertainment-based” strategies that promise to obtain product placement within all forms of media programming, along with “municipal branding” that promises to put a corporate brand on municipal structures everywhere, and “academic branding” that promises to fund underfunded educational programs at universities in return for brand signatures on buildings and within printed university materials.

Does this increasing omnipresence of brands and commercial messages undermine our society and culture? Many think it does. Derek

Bok, the former president of Harvard University, believes that what is coming to be known as the “academic-industrial complex” is eroding the mission of education and turning liberal arts education into both business education and another channel of trade.

Universities are filling funding gaps both by allowing the commercialization of their facilities and by turning their research facilities away from the academic pursuit of knowledge and toward solving corporate problems. The Chronicle of Higher Education reported that universities in the U.S. received over \$1 billion in patent licensing receipts during 2000. Such funding increasingly supports business-related course work, turning the university toward business education and providing course work primarily as means to secure a career. This undermines both the vision of a liberal education as having value for its own sake and the belief in education as the cultivator of a well-rounded person.

Should television and film programming become

replete with product placements and subliminal commercial messages? Is it legitimate to brand city hall to offset declining tax revenues? Should we subtly sell to college students while they do their homework? Is something irreplaceable lost when society and culture succumb to earnings-based, bottom-line thinking in every area, and the relentless drive of branding and marketing activities overtakes every aspect of society simply to increase consumption and drive new sales?

As many markets “top-out” and reach saturation state, it is questionable whether it is in society’s best interest to drive unnecessary or undesirable consumption. Over-consumption of food and beverage products is driving the present obesity epidemic, costing our society over \$100 billion per year in health-related expenses. Just as alcoholic beverages have had to encourage “responsible consumption” to avoid lawsuits and evidence social responsibility, unhealthy food and

beverage products now need to encourage moderate consumption and a healthier lifestyle to become socially responsible. And, as telemarketers have been reined in with the “do not call” registry, we may next need to consider regulating unethical marketers who undermine culture and society with incessant branding and marketing that is designed to instill non-existent desires, invent new and unnecessary usage occasions, and drive mass over-consumption?

Is the mindset of modern business that calls for unending growth and consumption mortgaging the soul of our culture? Promoting the consumption of products and services beyond society’s natural need may be a passing paradigm for socially responsible

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businesses. Couldn't marketers, out of respect for the individual, society, and culture limit their commercial penetrations to the traditionally accepted channels of communication and protect our cultural capital?

Is this the topping-out of capitalism, or is this just the ethics of capitalism? Sales, profits, and growth are important, but social responsibility is more important.

Strategy for an Ethical Organization

Until recently, few organizations seriously considered ethics to be a legitimate topic for enterprise planning and strategic thinking. Those at the top of an enterprise regularly spent time developing their organizational and functional strategic plans, their growth strategy, possibly even their brand strategy, but ethics and regulatory compliance was merely an issue for the finance department, legal counsel, and possibly human resources.

Today we are painfully aware that, henceforth, organizational ethical behavior will require serious attention, at both the board and executive level.

Widespread organizational misbehavior and criminal activity have made the creation of a formal ethics strategy a high priority for all enterprises, irrespective of their size or structure. Many larger organizations have established a position for an Ethics Officer, and smaller organizations turn to consultants that specialize in ethical consultation. Such individuals provide the frontline of defense against moral decay in corporate America.

An Ethics Strategy

What would an "ethics strategy" look like? Here are some basic guidelines:

- 1) An ethics strategy should be concerned with ensuring that all corporate activities are ethical, legal, and within all regulatory guidelines.

- 2) Because actions, be they right or wrong, arise from character, an ethics strategy should provide a road map to ensure the ongoing development of individual and organizational character. This is generally accomplished through the institution of "ethics programs" to train employees.
- 3) And finally, an ethics strategy should provide for monitoring and policing organizational activities to minimize and prevent ethical and legal violations. This has become increasingly important, because some recent case law has ruled that individual board members can be held liable for ethical lapses, where ethical plans and programs are not in place.

In developing an ethics strategy, a good place to start is with the regulatory requirements, as they, of themselves, impose a minimal, de facto ethical standard upon every organization.

While regulatory guidelines have, for some time, addressed such well-known topics as sexual harassment, racial, gender and age discrimination, hiring and firing practices, safety, advertising, packaging and labeling, many new regulatory factors are now in place and designed to prevent wrongdoing. They include:

- 1) The Federal Sentencing Guidelines for Organizations (FSGO) of 1991, which outline minimal ethical requirements and provide for substantially reduced penalties (up to 95%) in criminal cases where federal laws are violated if ethics programs are in place. Reduced penalties have provided a strong impetus for establishing ethics programs.
- 2) The Sarbanes-Oxley Act of 2002, which introduces accounting reform and requires attestation to the accuracy of financial reporting documents.
- 3) The proposed New York Stock Exchange regulations which will require all listed companies to possess and communicate, both internally and externally, a Code of Conduct or face delisting.

As well, organizations must monitor new and revised

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regulations from regulatory agencies such as the FDA, FTC, BATF, IRS, ERISA, and many others. Plans and programs need to be established within the organization to ensure that the organization is in compliance with all such regulatory requirements.

Once these regulatory requirements have been addressed, organizations can then work toward enhancing their corporate character. This is commonly approached by introducing an “ethics program” that consists of a series of ethical training modules that are designed to educate and build ethical character on an individual basis throughout the organization. Ethics programs and training are a necessary foundation to ensure an ongoing and deepening response to ethical issues as they arise for employees on the job.

Ethics Programs

While basic regulatory compliance can mitigate many problems, the ethical-legal landscape has become so complex in recent years that many employees do not, in many cases, possess a clear idea of what is right or wrong, legal or illegal. Areas such as antitrust, price discrimination, managerial conduct, export, intellectual property infringement, whistleblowing, inappropriate gifts, and the like are beyond the purview of almost all employees. To address all possible blindsides, each individual needs ethical training.

A good faith effort to create systems intended to prevent and detect violations is important in FSGO determinations. An ethics program is more likely to be considered effective if it includes the following components:

1) Statement of Values

The creation and communication of a statement of organizational values is considered to be necessary guidance.

2) Code of Conduct

A code of conduct or an ethics policy that communicates a commitment to ethical

behavior throughout the organization, and explains how these values are to be applied in representative situations.

3) Executive Leadership and a System

A plan and systems for the communication, monitoring, and enforcement of the Code of Conduct. Important consideration in this respect, include:

- a) Establishing and locating responsibility for the organization’s ethics program high in the organization to ensure that it is taken seriously and receives the requisite oversight.
- b) Communicating standards and procedures to all employees.
- c) Creating a vocabulary and an ethical context that encourages high standards. Because ethical questions are often difficult to decide, it is important that ethical issues, grey areas, and dilemmas be discussed openly within the organization, and that counseling and guidance resources be made available to employees

to improve their ethical decision-making. It is here that ethics training becomes essential to instill ongoing ethical behavior throughout the organization.

- d) Monitoring, auditing, and reporting systems that detect and prevent unethical or illegal activities, collect data upon relevant actions, and report that data to those charged with ethical oversight. This implies the creation of safe and effective processes whereby employees can seek guidance on the applications of standards and procedures and report suspected violations without fear of reprisals.
- e) Communicating that improper behavior has consequences. While even being accused of criminal activity is damaging to an individual and his or her company, convictions under FSGO can lead to fines up to \$290,000,000 per offense!
- f) Enforcing standards consistently and applying reasonable discipline according to the nature of the offense.

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- g) Responding to offenses such that similar offenses will be minimized, including modifying standards and procedures as needed.
- h) Offering voluntary self-disclosure of unethical or illegal activity in a timely manner to appropriate authorities.

While such ethics programs can ease sentencing and penalties for criminal activity, they also provide other, higher-order benefits. Ethical standards, and the training that supports them, helps employees know how to do the right thing by ensuring a common understanding of what is expected and required. An ethical work environment increases job satisfaction and reduces misconduct and the pressure to behave unethically. At the same time, such an environment increases the ability to communicate across all levels, builds trust, and promotes greater consistency in decision making. This results in fewer violations of laws and regulations and the serious consequences that accompany them, proving that good ethics equals good business.

Directors and executives have a responsibility to attend to the ethics of the organization they govern and lead. In the wake of recent scandals, it is imperative to develop an ethics strategy and to put practices in place that encourage and ensure moral behavior, develop individual and corporate character, and protect the organization from illegal or unethical activity.

Making Marketing Strategic

Marketing, as a functional discipline, has had to reinvent itself more than once during the last decade. Remember the distinction in the 1980s between “sales oriented” and “marketing oriented” companies? The first big change was during the early 1990s when marketing was routed from its pedestal in “marketing oriented” companies to become the handmaiden of branding. Now, as branding has become the province of executive leadership, brand management and marketing strategy are being forced to step beyond the confines of the marketing profession per se, to demonstrate new strategic and cross-disciplinary ability to deliver on non-marketing business goals.

As the marketplace has become more difficult to command, competition more intense, and profit margin thinner, questions have emerged about the ability of marketing to deliver the growth and margins it was once vaunted for.

Many believe the problem lies with marketers themselves. These critics say that because marketers are accustomed to thinking only within their discipline about vehicles and share and promotions, they lack the ability to step outside and above their profession, to strategize about emerging trends, broad market opportunities, competitive advantage, and deliver on overarching business goals. Critics of the profession claim that traditional marketers and brand managers may be great tacticians, but that they rarely think strategically about the marketplace, adapt strategies and ideas from other industries, or derive lessons from other sectors.

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In order to become strategic thinkers who can renew their professional contribution, while still managing the tactics of the discipline of marketing, marketers must learn to think at a higher level about the marketplace. It is no longer enough to speak of integrated branding and marketing programs. Now marketing must achieve business goals too.

What, then, is required to make marketing strategic? How can marketers achieve a macrocosmic view of the landscape within which their discipline works? How can they generate strategic insights to guide their tactical activities? As a start, marketing managers and leaders must:

- 1) **Look beyond their own profession** to what is happening at the top of the organization, and

with understanding shape and integrate their goals and activities to simultaneously deliver upon those business and financial goals. This requires that marketers learn about the concerns of finance, sales, manufacturing, and R&D in order to guide marketing effectively and ensure organizational synergy.

2) **Look beyond their own organization** to understand the trends within their industry and beyond to other industries and sectors, and then, to adapt these lessons for the benefit of their company. Too often marketing managers think only about their own segment or industry.

3) **Ask what data and information mean** and thus develop insights about consumer, customer, industry, and societal trends. Marketers who obtain a macrocosmic view of their work and its contribution to the success of their company are in a prime position to ask what data and information mean and thus to derive the important insights that enable a strategic contribution to their company.

4) **Direct with insight** outside agencies and staff personnel to provide targeted and heightened contributions. Strategic marketers must impart their expanded view of the situation to those who serve them and judge their contributions in its light.

5) **Do what is right for the business**, such that decisions are not just driven by profession or discipline-specific considerations. Haven't we all dealt with "creatives" who made their decision according to what was "creative," irrespective of what was best for the company?

The call for strategic marketing is urgent. For example, how can marketers think well about the positioning of their company brand, its brand strategy, or an advertising campaign without an analytic understanding of the market landscape, the greater economic world, and the macro-trends that are changing both the marketplace and the consumer every day?

Strategic marketers must merge the best practices of their professional discipline with the far-ranging vision of strategic thinking to effectively impact both their organization and the marketplace.

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P.O. Box 948
Boulder, Colorado 80306-0948
U.S.A.
Telephone (303) 444-7212
Telefax (303) 444-7235

www.klminc.com



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