“Ethics as an innovative approach to better internal marketing”

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Ethics as an innovative approach to better internal marketing

Abstract

Consumers are certainly more driven now than ever before by ethics and social responsibility. The workplace is a collection of different experiences and, therefore, differing ethics. Many people join a company without close investigating the ethics of their employing organization and often find themselves at variance and out of balance when those ethics are tested. Satisfied and committed employees will lead to satisfied and committed customers. The degree of internal customer satisfaction largely determines the profits of the company through external customer satisfaction and customer retention. This research aims to study the relationship between ethical practices and enhancing employee satisfaction by means of internal marketing.

The methodology adopted is collecting responses by Questionnaire administration from a sample of executives from textile and clothing organizations in India. A random sample of 600 respondents was chosen among textile and clothing organizations, listed in the Apparel Export Promotion Council (AEPC) database. The member organizations are located throughout India.

The implications and recommendations based on the findings of this research study are those that ethical practices with respect to “Equal opportunity providing”, “A subordinate representing to higher-ups above immediate superior”, “Female employees feeling secure and comfortable”, “Transparency in appraisal methods being practiced”, are increasing job satisfaction and leading to better internal marketing. These parameters of ethical behavior with respect to “Employees who are internal customers in organizations”, lead to better internal marketing practices.

Keywords: ethics, internal marketing, equality, whistle blowing, satisfaction.

The next wave of enduring great companies will be built not by technical or product visionaries but by social visionaries – those who see their company and how it operates as their ultimate creation and who invent entirely new ways of organizing human effort and creativity.

Jim Collins

Introduction

Ethics is not a new phenomenon for business. While the goal has always been to stay afloat, produce a quality product or service, and turn a decent profit, businesses have had to do this within a framework of the law and ethics. Organizations and managers who seek a “higher moral ground” have recently moved to an integrity-based approach to ethics management. Such an approach starts with the organization’s assurance that it has designed a process to meet legal compliance. But it moves beyond the tightly focused rule base to a culture that embraces core values and an uncompromising implementation of legal and ethical principles (R.W. Rasberry, 2000).

Some authors are of the opinion that organizations consider ethical practices above profit motive in order to enhance corporate image, have better retention of both internal and external customers.

Internal marketing is a process in which organizations consider employees as internal customers and strive to satisfy their needs and requirements at work so that they, in turn, offer quality service to external customers. Internal marketing plays an active role in retaining customers as well as employees, enhancing corporate image, implementing change management and ensuring the organization’s success.

This research aims to study the relationship between ethical practices and enhancing employee satisfaction by means of internal marketing.

1. Need and significance of the study

Johan J. Graafland (2002) highlights the importance of ethical practices in the textile sector in the context of severe international competition. He discusses how Code of conduct for organizations’ employees, is implemented to achieve organizational objectives. The code specifies detailed requirements related to fair dealings with all employees and employment conditions.

Alice G. Lewthwaite (1998) brings out the relevance of ethical considerations among the textile and clothing industry retailers in the United Kingdom. She addresses issues like, what ethical considerations are relevant as major clothing suppliers are being forced by competition to cut costs.

The best companies have detailed codes of ethics which inform employees how the company expects them to act (Ian W. Jones and Michael G. Pollitt, 1995). Individual companies further commit themselves to their own ethical standards as embodied in a code of ethics which lays down standards for employees and for the company as a whole in business dealings. Still other companies have built up reputa-
tions for ethical behavior without recourse to published codes of good practice.

By strengthening the role played by the developing countries in international trade, the globalization of the economy has also encouraged greater awareness of the commercial importance of the respect or non-respect of basic standards relating to human rights. It is no longer possible for the developing countries that want to increase or maintain their penetration of the markets of industrialized countries to ignore the existence of various kinds of pressure existing in this sphere. This research paper addresses the issue of ethical behavior in textile organizations in India, a leading player among developing countries in the textile and clothing sector.

2. Literature review


Ethics is about fairness, and deciding what is right or wrong, about defining the practices and rules which underpin responsible conduct between individuals and groups.

Being ethical involves taking action to ensure that these practices and rules are applied consistently in all day-to-day business situations.

So, in other words, the word “ethics” is fundamental to the very essence of who we are, burying itself deeply within our sense of values.

2.2. Three types of ethics. The existing literature in this area suggests that there are three possible approaches to ethics:

Social ethics: an approach that came from Greek society and is based on the Greeks’ idea of basic rules for civilized living, but which is different from one group or society to another. In other words, organization A may have different ethics to organization B by virtue of a different set of values and/or principles. Take the financial advice that several different professional services firms offer their clients. In each case, it is likely to be based on a firm’s beliefs about the integrity and quality of the information provided. But the starting points for its ethical stances differ, according to a firm’s particular values or principles. These differences in approach are valuable in differentiating a particular company from its competitors in a difficult marketplace. But the end result is confusion and lack of confidence among consumers if the ethics involved differs widely. Recent scandals have served to emphasize the problems that can occur. It is not only the firms that have been implicated, but also virtually a whole sector.

Transcendental ethics relies on the absolute concept of right and wrong and a sense of justice, which is equally applied regardless of any social, geographical or cultural restriction. It is our view that organizations are moving towards this particular understanding of ethics, and that it represents the next phase of evolution for companies across the world. After all, what is understood as being ethical in the petrochemical sector in Europe should also be considered ethical in the retail sector in the USA. This is of course far from where things are now. It involves taking some unpopular decisions that ultimately will have beneficial results in the long term. It relies on leaders being able to operate ethically.

Tactical ethics is based on obeying rules or laws in order to avoid any penalties arising from their infringement. This ethics is usually practiced out of a convenience and self-interest rather than a sense of right or wrong. Many people would consider that “sticking to the law” is an example of being ethical. Tactical ethics will be a step towards achieving transcendental ethics, but that they are not likely to provide the compelling case required for change to take place.

So, as you can see, we have to be clear about which type of ethics we are referring to when we start to have a dialog about them. Speaking cynically, some current business practice seems to focus on using tactical ethics with the intention of being seen as an “ethical” company only if it brings the organization more customers. For example, a 1993 survey on business ethics in Britain carried out by the University of Westminster (Burke, 1993) found an ethical separation between senior managers and their junior employees. It also found that although business people displayed a high degree of ethical awareness, many would discard their principles if profit were affected. Therefore, “ethics” is not something we suddenly adopt because our company develops a policy. So, why is ethics important?

2.3. The importance of ethics in business. Imagine a world without ethics, where we put ourselves first all the time. Where no one was interested in the environment or making things better for all. In the UK, there would be no National Health Service, no state education system, and our decisions would be based on “what’s in it for us?” Sadly, this is how some people would describe their current workplace.

Research by Axiom Software into graduate recruitment identified that 75 percent of graduates would not work for a company with a poor ethical record. It seems that we are all becoming more aware of the need for ethics. In the USA, companies have now identified the new role of Ethics Officer. But is this
role likely to make any difference to the way in which companies are run?

Consumers are certainly more driven now that ever before by ethics and social responsibility. Co-operative Bank has developed a new ethical purchasing index to understand the growth of the ethical marketplace.

So, why is ethical business becoming so important? Many of us are likely to have formed our ideas of decency and fairness based on our experiences of life. Often, our views have been influenced by people we have met who have helped to shape our view of the world – for example, parents, teachers, mentors, coaches, suppliers, family, friends and colleagues. They grow and evolve with us, and changing our ethics involves changes at the very heart of our being.

The workplace is a collection of these many different experiences and therefore of differing ethics. Many people join a company without investigating the ethics of their employing organization closely and often find themselves at variance and out of balance when those ethics are tested. For instance, someone who believes in “equality and justice for all” may have a problem working for a business whose board earns vast salaries and does not practise the values of the company.

Ethics needs a structure, it needs a policy, a code of practice, or a cultural understanding of the rules, but this alone is not enough. It also needs individuals who can differentiate between right and wrong, people who can make difficult decisions and are assertive enough to stand by the decisions they make. This often includes both standing up for themselves and others. These testing times are often the points at which company values become “flexible” and separate themselves from what may be a more transcendent approach by the individual.

Take, for example, the organization with a state-of-the-art bullying policy. An employee invokes the policy in order to challenge the bullying behavior of their boss. However, the company knows that the boss has turned that department round in record time and delivers financial results. The moral dilemma is then whether to challenge the manager and risk upsetting the status quo or move the individual elsewhere.

Of course, moving the employee is usually quicker and cheaper. The employee is then moved to another department and the issue is labelled “clash of personalities”. Now the organization is escalating the problem by dealing with it tactically and not transcendentally. Word soon spreads that the bullying policy is not worth the paper it is written on, and that bullying is rewarded.

So, what role do organizational values play? Can individuals be expected to follow the “ethical” rules if they do not believe in or understand them, if they are not part of their own value system, or indeed if they change from day-to-day? How many organizations would put ethics above profit? How many companies include issues of ethics in their recruitment process or indeed include ethics in the training plans of their employees?

It appears that having senior managers who value ethical behavior as much as profit will achieve the greatest impact on a company’s ethical standards. Businesses need to develop the kind of environment that promotes ethical development and they can only do that from the top down. So, accepting that ethics are important, can we measure and test them?

3. Internal marketing

Internal marketing is a process in which organizations consider employees as internal customers and strive to satisfy their needs and requirements at work so that they, in turn, offer quality service to external customers. Internal marketing plays an active role in retaining customers as well as employees, enhancing corporate image, implementing change management and ensuring the organization’s success.

The major components that organizations need to include in the design of their internal marketing program are recruitment and selection; motivation and rewards; education and training; coordination; empowerment; communication and knowledge sharing. For implementing an internal marketing program effectively, organizations need to recruit skilled and talented people, motivate them with rewards, achieve coordination among employees, empower them, and encourage two-way communication and knowledge sharing through knowledge management.

Ballantyne (2003) finds that there is renewed interest in internal marketing, and points to evidence of increased publication, including notably a special issue of the European Journal of Marketing (2003) devoted entirely to the subject area. Barnes et al. (2004) suggest that marketing has traditionally focused on external customers but in recent times has begun to emphasize the need to understand internal customers and their relationships with the organization and external customers.

Varey & Lewis (1999) present that a broad conception of internal marketing is needed, which draws together previously separate management technologies such as human resource development, employee relations, strategic management, quality management, corporate communications and macro marketing.
Evidence from empirical research is very limited. Internal marketing is not widely recognized amongst practitioners (Sargent & Saadia, 1998; Ahmed & Rafiq, 2002), and there is no agreement on strategic intent or a common conceptual framework (Ballantyne, 2003).

The strong argument seems to be encapsulated by marketers in what MacDonald (2003) describes as the era of ‘New Marketing’ that for businesses to succeed they must focus on producing goods and services that add real value to customers and this must involve the difficult task of internal alignment and integration of effort. Employing methods such as business excellence may only have added to this emphasis on internal matters with the challenge that the winning of awards brings.

“There is concrete evidence that satisfied employees make for satisfied customers” (Zeithaml and Bitter, 2000). In service-based industries, human resource issues such as job satisfaction have been found to be antecedents of customer-oriented behavior (Hoffman and Ingram, 1992). People who are in a positive frame of mind are more likely to be altruistic, helpful and considerate (Motowidlo, 1984). Satisfied and committed employees will lead to satisfied and committed customers (N. Malhotra, A. Mukherjee, 2004). The degree of internal customer satisfaction largely determines the profits of the company through external customer satisfaction and customer retention (Reichheld and Sasser, 1990).

Ahmed & Rafiq (2002) propose that organizations could use marketing techniques inside the organization for greater effectiveness, for example in developing internal customer relationships, conducting internal marketing research, identifying internal segmentation and positioning, deploying internal communications, and an internal marketing mix. Piercy (2002) has argued that marketing to employees the needs of the company’s customers is a key task in strategic planning, and cannot be taken for granted. Ahmed & Rafiq (2003) state, that internal marketing is not well understood in practice.

According to Ahmed & Rafiq (2002), Internal Marketing as a concept may be traced back 20 years or more. Later definitions have referred to employee motivation and satisfaction, customer orientation and satisfaction, inter-functional coordination and integration, marketing-like approaches, and specific strategies (Ahmed & Rafiq, 2002).

We present, as a summary, that internal marketing may be viewed from a series of perspectives developing from an early emphasis on marketing orientation, to adopting marketing like approaches, to developing employee relationship management, and most recently to a focus on creating value (in this context for both external and internal customers). Best practice ethics fully recognizes enlightened self-interest and even goes beyond it. Such best practice involves transparent decision making, truthful and positive advertising, effective codes of ethics and ethical senior executives (Ian W. Jones and Michael G. Pollitt, 1995).

The code of conduct of M/S Aarvee Denims, an organization in the Indian textile industry, specifies that:

- no discrimination shall be done on the basis of caste, religion, sex, nationality or disability of any kind towards any employees;
- employees are free to report existing/probable violations of laws, rules, regulations or unethical conduct to their immediate supervisor or such other person as may be notified by the management to the workgroups. Such reports received from any employee will be reviewed by the Corporate Governance Committee from time to time.

The confidentiality of those reporting violations shall be protected and they shall not be subjected to any discriminatory practices.

The research of Johan J. Graafland (2002) and Codes of Conduct many reputed organizations like IBM, HP have provided the basis for formulating the hypothesis that equal opportunity providing is right, female employees should feel secure and comfortable.

Best practice ethics fully recognizes enlightened self-interest and even goes beyond it. Such best practice involves transparent decision making (Jean-Paul Sajhau, 2000; Ian W. Jones and Michael G. Pollitt, 1995). This forms the basis of the hypothesis that Transparency in appraisal methods is practiced.

Jean-Paul Sajhau (2000) elaborates in International Labor Standards Corporate Codes of Conduct on Business Ethics in the Textile, Clothing and Footwear (TCF) industries the various issues which are relevant and critical for textile and clothing firms to be competitive. Based on these, the hypotheses are developed.

Based on literature review, we summarize that over and above monetary benefits, non-monetary parameters increasing internal customer satisfaction, are “Equal opportunity providing is right”, “A subordinate can represent to higher-ups above immediate superior”, “Female employees should feel secure and comfortable”, “Transparency in appraisal methods is practiced”.
4. Research objective

To study whether issues like, “Equal opportunity providing is right”, “A subordinate can represent to higher-ups above immediate superior”, “Female employees should feel secure and comfortable”, “Transparency in appraisal methods is practiced” are independent of ethical behavior by managers of an organization.

4.1. Hypotheses. H1: The opinion that “Managers in my company often engage in behavior that consider to be ethical” is independent of the view that “Equal opportunity providing is right”.

H2: The opinion that “Managers in my company often engage in behavior that consider to be ethical” is independent of the view that “A subordinate can represent to higher-ups above immediate superior”.

H3: The opinion that “Managers in my company often engage in behavior that consider to be ethical” is independent of the view that “Female employees should feel secure and comfortable”.

H4: The opinion that “Managers in my company often engage in behavior that consider to be ethical” is independent of the view that “Transparency in appraisal methods is practiced”.

4.2. Methodology. The questionnaire was developed based on literature review. In constructing the questionnaire, the order and flow of original research questions were carefully considered. Theses have been presented in a way to be logical and coherent to the respondent. The respondents were asked about their extent of agreement or disagreement on a five point Likert scale. Questionnaire was pretested with a sample of 30 respondents and suitable modifications were made. The overall and factor wise reliability (Cronbach’s alpha) was found to be good. A random sample of 600 respondents was chosen among textile and clothing organizations, listed in the Apparel Export Promotion Council (AEPCC) database. The member organizations are located throughout India. A self administered questionnaire was distributed to the respondents who were asked to express their agreement with the items, based on a 5 point Likert scale. A usable sample of 564 responses was obtained.

Statistical test used to analyze was ANOVA (Analysis of Variance) in order to identify the significant differences between factors.

Data analysis and discussion

Data were analyzed using SPSS (Statistical Package for Social Sciences) software. One way Analysis of variance (ANOVA) was used to test the hypotheses.

Table 1. ANOVA. Managers in my company often engage in behavior that consider to be ethical vs Equal opportunity providing is right

<table>
<thead>
<tr>
<th></th>
<th>Sum of squares</th>
<th>df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between groups</td>
<td>73.360</td>
<td>1</td>
<td>73.360</td>
<td>31.929</td>
<td>.000</td>
</tr>
<tr>
<td>Within groups</td>
<td>1373.973</td>
<td>598</td>
<td>2.298</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1447.333</td>
<td>599</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From the above table, the significance level is less than 0.05 %, so the Hypothesis H1

H1: The opinion that “Managers in my company often engage in behavior that consider to be ethical” is independent of the view that “Equal opportunity providing is right” is rejected.

Therefore, the opinion that “Managers in my company often engage in behavior that consider to be ethical” is dependent of the view that “Equal opportunity providing is right”.

As per the research studies conducted by Ethics Resource Center, equal opportunity providing is part of the Employment Practices of Common Code of Ethics.

Table 2. ANOVA. Managers in my company often engage in behavior that consider to be ethical vs Subordinate can represent to higher-ups above immediate superior

<table>
<thead>
<tr>
<th></th>
<th>Sum of squares</th>
<th>df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between groups</td>
<td>6.000</td>
<td>1</td>
<td>6.000</td>
<td>2.489</td>
<td>.115</td>
</tr>
<tr>
<td>Within groups</td>
<td>1441.333</td>
<td>598</td>
<td>2.410</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1447.333</td>
<td>599</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From the table given above, the significance level is more than 0.05 %, so the Hypothesis H2

H2: The opinion that “Managers in my company often engage in behavior that consider to be ethical” is independent of the view that “A subordinate can represent to higher-ups above immediate superior” is accepted.

Therefore, the opinion that “Managers in my company often engage in behavior that consider to be ethical” is independent of the view that “A subordinate can represent to higher-ups above immediate superior”.

This is in line with previous research studies. A common breach of confidentiality is whistle blowing, described as the act of an employee of informing the public or higher management of unethical or illegal behavior by an employer or supervisor (Johnson, 1991). According to Harris et al. (1995), whistle blowing is not always appropriate and should only be attempted when the four basic requirements

46
of need, proximity, capability and last resort option, are satisfied (Fleddermann, 1999), however, the author mentions that a “grey area” exists over the length of time an employee should withhold confidential information and where discontinued employment exists.

Table 3. ANOVA. Managers in my company often engage in behavior that consider to be ethical vs Female employees should feel secure and comfortable

<table>
<thead>
<tr>
<th></th>
<th>Sum of squares</th>
<th>df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between groups</td>
<td>6.383</td>
<td>1</td>
<td>6.383</td>
<td>2.649</td>
<td>.104</td>
</tr>
<tr>
<td>Within groups</td>
<td>1440.950</td>
<td>598</td>
<td>2.410</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1447.333</td>
<td>599</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From the table given above, the significance level is more than 0.05 %, so the Hypothesis H3

**H3**: The opinion that “Managers in my company often engage in behavior that consider to be ethical” is independent of the view that “Female employees should feel secure and comfortable” is accepted.

Therefore, the opinion that “Managers in my company often engage in behavior that consider to be ethical” is independent of the view that “Female employees should feel secure and comfortable”.

This does not mean that in the organizations where respondents work, female employees are not feeling safe and secure. This only means that ethical behavior is independent of the view that female employees should feel secure and comfortable.

Table 4. ANOVA. Managers in my company often engage in behavior that consider to be ethical vs Transparency in appraisal methods is practiced

<table>
<thead>
<tr>
<th></th>
<th>Sum of squares</th>
<th>df</th>
<th>Mean square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between groups</td>
<td>24,000</td>
<td>1</td>
<td>24,000</td>
<td>10.083</td>
<td>.002</td>
</tr>
<tr>
<td>Within groups</td>
<td>1423.333</td>
<td>598</td>
<td>2.380</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1447.333</td>
<td>599</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

From the table given above, the significance level is less than 0.05 %, so the Hypothesis H4

**H4**: The opinion that “Managers in my company often engage in behavior that consider to be ethical” is independent of the view that “Transparency in appraisal methods is practiced” is rejected.

Therefore, the opinion that “Managers in my company often engage in behavior that consider to be ethical” is dependent of the view that “Transparency in appraisal methods is practiced”.

This is also in line with previous research studies. Employee appraisal is an area in which objective assessment is required. If a company does not have formal guidelines for appraisal, this situation places both the supervisor and the subordinate in an extremely precarious position. Each could suffer through the assessment which may adversely affect them, but which neither party can compare against formal guidelines either to substantiate or to refute the assessment (Göran Svensson et al., 2006).

**Findings and conclusion**

The findings of the study are:

- the opinion that “Managers in my company often engage in behavior that consider to be ethical” is dependent of the view that “Equal opportunity providing is right”;
- the opinion that “Managers in my company often engage in behavior that consider to be ethical” is independent of the view that “A subordinate can represent to higher-ups above immediate superior”;
- the opinion that “Managers in my company often engage in behavior that consider to be ethical” is dependent of the view that “Transparency in appraisal methods is practiced”.

These are in line with the findings of other studies. Many people join a company without investigating the ethics of their employing organization closely and often find themselves at variance and out of balance when those ethics are tested. For instance, someone who believes in “equality and justice for all” may have a problem working for a business which board earns vast salaries and does not practice the values of the company (Geetu Orme, Carolann Ashton, 2003).

Companies are beginning to implement not only a code of ethics, but other complementary initiatives that reinforce the need for the culture of the organization to be ethical. Codes of ethics are perceived by organizations to have assisted them in their dealings in the marketplace and many companies use their ethical values to underpin their strategic planning process. It appears to be that many companies now see the formalization of business ethics as an integral part of their commercial practices (Göran Svensson et al., 2006).

These parameters of ethical behavior with respect to employees who are internal customers in organizations, lead to better internal marketing practices. This is reinforced by other research studies.

“There is concrete evidence that satisfied employees make for satisfied customers” (Zeithaml and Bitner, 2000). In service-based industries, human resource issues such as job satisfaction have been found to be antecedents of customer-oriented behavior (Hoffman
and Ingram, 1992). People who are in a positive frame of mind are more likely to be altruistic, helpful and considerate (Motowidlo, 1984). Satisfied and committed employees will lead to satisfied and committed customers (N. Malhotra, A. Mukhergee, 2004). The degree of internal customer satisfaction largely determines the profits of the company through external customer satisfaction and customer retention (Reichheld and Sasser, 1990).

Jean-Paul Sajhau (2000) in the research work on International Labor Standards, Corporate Codes of Conduct on Business Ethics in the Textile, Clothing and Footwear (TCF) Industries, has arrived at similar conclusions and the ethical practices of Textile majors like Lévi-Strauss, Lee, are in line with these findings. The implications and recommendations are that ethical practices with respect to “Equal opportunity providing”, “A subordinate representing to higher-ups above immediate superior”, “Female employees feeling secure and comfortable”, “Transparency in appraisal methods being practiced”, increase job satisfaction and lead to better internal marketing. This in turn has a considerable impact on organizations bottomline as external customer satisfaction is based on internal customer satisfaction.

The limitations of this study are that it was conducted among textile and clothing organizations. Organizations in other industries can be studied for further research.

References