
TORCH AWARDS FOR MARKETPLACE ETHICS: PROVIDING STUDENTS "HANDS ON" EXPERIENCE WITH MARKETING ETHICS

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The Torch Awards for Marketplace Ethics give students the opportunity to see and evaluate companies' business ethics programs, both formal and informal, and interact directly with owners, presidents and managers of local businesses of all sizes. The project allows students the opportunity to see how a business ethics program operates in the real world. Students gain an understanding of the benefits of a strong ethical organizational culture. Students nominate these companies to the local Better Business Bureau having evaluated each company against the Torch Award Criteria. Nominations are judged and winners announced annually. The interaction with business has been observed to be meaningful to students, the business community, the College and its outreach initiatives.

Introduction

The use of real world, experiential learning has been identified as an active process for effective learning of marketing ethics as well as cultural understanding in global marketing (Hunt and Laverie 2004; Curran-Kelly 2005). Most students have limited experience in understanding the complex ethical decision making environment that marketing managers must navigate. The boundary-spanning role of marketers places them in complex ethical decision situations that require experience if ethical decisions are to be made. Therefore, if such awareness and skills are to be learned, marketing students need to address ethics from both a content and application perspective (Andersen et al. 2005).

The learning goal of this experience is to sensitize students to how marketing ethics is managed in the world of business. Too often, ethics is taught in business schools as a passive lecture driven by topics emphasizing the role of character and individual moral philosophies. In addition, business faculty avoid dealing with ethical issues because of a tradition of using neoclassical economics that holds the practice of business to be value free (Swanson and Frederick 2004). Telling students to stand up to challenges by doing the right thing will not make them ethical unless they have a more complete understanding of marketing ethics, that is, what might be entailed in identifying and addressing ethical issues raised in the context of marketing decisions. The Better Business Bureau Torch Awards for Marketplace Ethics provides the type of "hands on"

experience that students need to prepare for the ethical challenges they will face.

The Challenges of Teaching Marketing Ethics

Recent organizational ethics shortfalls have highlighted our need to help our students understand why strong marketing ethics is key to business success. Companies like Arthur Andersen (gone from the corporate landscape) are difficult for students to relate to or understand. Ongoing ethics scandals like Worldcom, Enron, and Martha Stewart are more like soap operas and again do not reach a threshold of relevance with students. Marketing students fail to see that marketers are involved in many accounting scandals related to channel stuffing, bill and hold marketing schemes, as well as other organizational misconduct. The example of KFC pulling their advertising promoting fried chicken as a healthful meal alternative makes students laugh, but once again does it help them learn the nuances of marketing ethics? The Corvette C6 ad with the Rolling Stones singing Jumping Jack Flash while a young boy fantasizes about driving the car creates excitement. But, when you ask the students why General Motors voluntarily pulled the ad, you get blank expressions, especially when they learn the millions that were paid to Guy Ritchie to produce the ads. Students come into our classes with hopes of working in advertising, marketing research, sales, direct marketing, and retailing without appreciating the need for understanding marketing ethics. Most business schools do not offer required classes in business or marketing ethics and yet AACSB International requires that schools of business will be evaluated on how diligent a job they are doing of help-

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ing students grasp this area (Buff and Yonkers 2004). How can you bring this area alive to your students and give it relevance within your classes?

Identifying Marketing Ethics Issues

Marketing students will face many ethical issues that will surface as a problem, dilemma, or opportunity that requires an individual or work group to select a plan of action that may be evaluated as ethical or unethical. Issues related to misrepresentation, fraud, conflicts of interest, and privacy protection exist in most organizations. For example, advertising issues include: puffery, incorrect product comparisons, agency compensation and billing, marketing to children, antitrust issue in pricing, and issues associated with in-program advertising. Sales, marketing research, and direct marketing all have ethical issues which are infused in their industry. Merck is under scrutiny for promoting “Vioxx” as an effective arthritis pain management alternative (Smith 2005). Former senior executives with Ogilvy and Mather advertising were sentenced to more than a year in prison for conspiring to over bill the government in a campaign warning children about the dangers of drugs (AP Newswire 2005). Ford and Firestone had their share of criticism for their handling of the tire failure on Ford Explorers and Mercury Mountaineers. Blockbuster video touted “The End of Late Fees” only to find their company under investigation by the New Jersey Attorney General’s Office for deceptive advertising. If you did not return the video in a stated period, you bought the video.

All employees in an organization face ethical issues on a daily basis. The Ethics Resource Center 2005 National Business Ethics Survey found the top three ethical issues in business: intimidating behavior in the workplace, lying, and conflicts of interest. Other important general employee issues involved email and internet abuse, discrimination, theft and sexual harassment. For marketers, improper use of competitive information, price fixing, bribery, and deceptive advertising and sales practices are key issues (Ethics Resource Center 2005).

Each discipline area within Colleges of Business should be evaluating their contribution to a “business ethics education” as curriculum is being evaluated, developed and added. Both AACSB International and business faculties must be committed to and active in creating a transformation in teaching ethics (Windsor 2005). When business ethics initiatives are evaluated, it is often not enough to say that each faculty member is integrating the topic on a course-by-course basis. Colleges are being asked to consider how to assess their

objectives with respect to business ethics education and document effective outcomes of classes and projects in achieving these objectives (Bishop et al. 2005).

Better Business Bureau International Torch Awards for Marketplace Ethics

The Council of Better Business Bureaus was founded in 1912 when an informal group of business leaders joined to promote truth in advertising. Its mission is “...to promote and foster the highest ethical relationship between businesses and the public through voluntary self-regulation, consumer and business education, and service excellence” (BBB 2005). This organization serves as the parent of local Better Business Bureaus (BBBs) across the nation with the goal of “fostering fair and honest relationships between businesses and consumers instilling consumer confidence and contributing to an ethical business environment” (BBB 2005).

Each year local and national BBBs recognize winners of their Torch Awards for Marketplace Ethics. In discussing this award on their website,

The BBB International Torch Award for Marketplace Ethics attracts over a thousand entries from businesses of all sizes throughout North America. BBBs in Canada and the U.S. conduct local competitions forwarding the winners to the Council of Better Business Bureaus for consideration for the International Torch Award. ...These awards are presented to companies in recognition of their outstanding commitment to exceptional standards in relationships to their consumers, employees, suppliers, competitors, shareholders, and surrounding communities. (BBB 2005)

The Torch Award is designed to recognize businesses of all sizes for their excellence in managing their ethics programs. There are four size categories based on number of employees. Companies are expected to have programs which effectively manage their legal and ethical risk areas. Small companies’ programs are evaluated quite differently than large companies.

Student Identification and Nomination Process for Torch Award

In marketing strategy, advertising, marketing ethics or even principles of marketing classes, students can be placed in teams and given the objective to find “good citizen” companies to nominate for the Torch Award. Local branches of the BBB can be contacted for more information on a collaborative project. As Table 1 indicates, the criteria invite an in-depth exploration of the business’ ethical culture across a broad range of stakeholder categories. Students are asked to evaluate the companies based on the four criteria advanced by the

Table 1
BBB Award Criteria for Torch Award for Marketplace Ethics

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1. **Management Practices.** *(If you are the owner of the company, with no employees, explain how ethics are used in everyday business practices.)*
 - Pertinent sections from an employee handbook, company manual or training program (formal or informal) showing how ethics policies are communicated to and implemented by employees.
 - Formal training and/or procedures used to address concerns an employee may have in dealing with an ethical dilemma.
 - The existence of an Ethics Officer, Compliance Officer or Ombudsman should be noted, along with information concerning the responsibilities and authority of this position.
 - Formal/informal management practices and policies that foster positive employee relations.
 - Employee benefits and/or work place practices which contribute to the quality of family life.
 - Actions by the business to assess risks and take appropriate actions to prevent workplace injury.
 - Examples of sound environmental practices.
 2. **Customer/ Vendor/ Supplier/ Shareholder Relations.**
 - Examples of how your business has prospered because of your belief in honesty, integrity and doing the right thing.
 - Complimentary feedback from customers, vendors and/or suppliers.
 - Company policies and practices that assure excellence in quality products and/or services, and demonstrate accountability to customers, vendors and suppliers.
 - Actions taken by your company showing that it went “beyond the call of duty.”
 - Examples of cases where your company had to make tough decisions that had negative short-term consequences and led to long-term benefits.
 - If your company is publicly traded, discuss how the corporation demonstrates accountability to shareholders and adheres to good governance practices.
 3. **Marketing/ Advertising/ Communications/ Sales Practices.**
 - Descriptions of the methods your company uses to assure all sales, promotional materials and advertisements are truthful and accurate.
 - Examples of efforts by your company to improve communications, advertising, marketing and sales practices which benefit your industry as a whole.
 - Sales training policies and/or codes of ethics used by sales personnel that ensure all transactions are made in an upfront and ethical manner.
 4. **Reputation within Industry and Community.**
 - Articles in trade, industry publications and news media that reflect your reputation in your industry and community as an ethical business.
 - Awards, recognition and/or complimentary letters from others within your industry or trade group.
 - Recognition for charitable and/or community service projects.
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Source: www.bbb.org, 2005.

BBB. Students are to advance companies that exhibit the highest standards of ethical conduct in dealing with employees (training on key risk areas for the business, business practices that contribute to a positive work environment and consideration for family, as well as sound environmental practices), customer/vendor/supplier/shareholder relations (honesty and fair dealing with stakeholders, providing quality products, long term business focus, shareholder accountability), marketing/advertising/communications/sales practices (truth in advertising and sales claims, sales training

and codes of ethics), and reputation (public relations and feedback associated with positive ethical and socially responsible behavior).

Students are asked to use the criteria to assess the systems and mechanisms used to develop and maintain an ethical organizational culture. It is not the job of the students to discover ethical misconduct or ethical issues that may exist in an organization. The BBB screens applications to make sure that these companies are not facing a public scandal or serious legal issues. The goal of the experience is to allow students to learn what

constitutes ethical business practice in small, mid-sized and large companies. The ethical practices of the company are linked to their marketing strategy and financial success. Therefore this experience is unique in that students see how business creates success through their ethical conduct. Many students have a hard time seeing how “doing the right thing” can lead to business success. With this project they define and defend the relationship. This project provides a process of discovery for students which exemplifies experiential learning (Anselmi and Frankel 2004).

Prior to assigning teams to locate companies they feel represent “good citizen” companies, class discussions address how companies can effectively manage their risks through systems, training, supervision, leadership, rewards/punishment, and incentive systems. The differences between the process and outcomes for small versus larger companies are outlined. Students are then placed into teams of 4-5 (depending on class size) and given task of locating the companies they will nominate. Students are encouraged to contact the local BBB, Chamber of Commerce, scout the regional business journals, newspapers, and magazines for articles acknowledging exemplary performance in this area. Past winners are ineligible for nomination. Once a company of interest is identified, students are required to discuss the nominee with the professor and why they feel they can put together a worthy nomination packet. If approved, the students proceed to work with the company and secondary sources to create their nomination packet for the award selection. Samples of previous winning company’s packets are made available to the students.

Near the end of the semester, students present their nominees to the class and outline why the company should be considered for the award. Students, in past experience, have nominated companies in each size category providing the class with exposure to the programs of very small companies as well as multinational organizations. Students learn a great deal about actual company risks, how to effectively manage those risks, and what ethics training means to companies of varying sizes. They have the opportunity to go out into the business community and learn more about local companies and in-so-doing help the businesses understand what students are learning in a marketing class. Students function in an investigative role, utilizing direct communication with the company and external stakeholders, conducting magazine and newspaper searches, and even looking at competitors to benchmark ethics efforts. Students are also encouraged to think about “continuous improvement” of ethics and compliance initiatives. Based on knowledge gained in the accompanying course work, they can make recommendations

to their company as to how they can improve their management of ethics initiatives.

BBB International Torch Award Judging

The culmination of the project is the judging process through the local BBB. Judges selected from past winners, business leaders, and business professors select winners from each size category. Winners are announced in an awards dinner and attended by past winners, winners, and business and community leaders. In our experience, student nominated companies have done quite well due to the diligence and time student teams take in consideration and nomination of the companies. Quite often, winning companies have invited students to attend the dinner at their expense. Students have a unique opportunity to be acknowledged by a business, the business community and the BBB. In our classes some students have commented that this is the most meaningful project and experience of their college career. Table 2 provides a summary of specific student comments on this project. The media easily picks up this event and local newspapers and business journals enjoy writing about the project and the resulting relationship development between students and businesses. Businesses also gain a positive impression of the College of Business ethics initiative because they play a key role in the learning process.

How the BBB Torch Award Helps Teach Marketing Ethics

Students, in working on the BBB nominees, realize that marketing ethics is not always “easy or common sense.” They begin to see that companies of all sizes and industries have very diverse risks and processes for managing these risks. The students can see the relevance of business/marketing ethics initiatives and appreciate their role in organizational success. Perhaps the biggest problem in running this project is finding acceptable companies, a problem that will vary with the size of your community. The local BBB can be very helpful here. They also receive company nominations from members of the community and the students can investigate to develop the packets of nominated firms. The BBB will also run an online check to determine if there are any complaints against the company.

The Mountain States BBB has received a national BBB award for helping to promote the collaborative process between students, business schools, and regional businesses. While the project could be run without the BBB involvement, the Awards process and competitive spirit between student teams makes this project more engaging for students.

Table 2
Student Comments on Benefits of BBB Torch Awards for Marketplace Ethics Project

“Real business setting, real world, hands on, deep look.”
“Providing value and getting value, using what is learned in class applied to the real world, complements class material.”
“Meeting company Presidents and other officials.”
“Seeing a company function on a daily basis.”
“Seeing how most regular companies are not like the Enron or the rest, that companies are trying to do the right thing, how important ethics is to them.”
“Different from any other project.”
“Helps to know what to look for in a company when seeking employment.”

Conclusions

This has been one of the most rewarding class projects with which we have been involved. It should be stressed that this project is not wholly dependent upon the participation of the local BBB. Some local BBB's choose not to participate in the Torch Awards program because of the significant time and resources required to manage the program. In that event, the College of Business may wish to develop its own recognition program to honor ethical and socially responsible companies within the community. Evaluative criteria can be adapted from BBB criteria, from criteria used by other groups such as *Business Ethics Magazine*, or developed to suit local school or business community objectives. There are many ways to adapt this project to meet with your local, community, College or local BBB's desires. The awards ceremony can be used as a fundraising event by selling sponsorships to local organizations. Members of the College Advisory Board could also be invited to act as judges, providing further integration of these individuals into the college's student community.

In our experience in working with the local BBB's, we have found them to be extremely enthusiastic and supportive and it has become a mutually rewarding relationship. The students learn about the BBB, self-regulatory organizations, and how successful companies of all sizes manage their ethical, legal and social responsibilities. In addition, they have the advantage of participating in a form of learning that is “hands on,” providing them with a vivid and memorable learning experience, visibility within the College and within the business community. This event becomes highly visible to the Dean, as well as higher level administrators, due to the publicity and business award recognition. The public relations and press generated by this event adds to

the enthusiasm of students, professors and businesses providing a pride in participation. The project answers the call for an innovative and real world experiential learning opportunity.

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