Journal of Strategic Marketing
Vol. 17, Nos. 3–4, June–August 2009, 257–270

An enterprise-wide strategic stakeholder approach to sales ethics

Linda Ferrell* and O.C. Ferrell

Department of Marketing, University of New Mexico, Albuquerque, NM 87131, USA

(*Received 9 February 2009*)

A framework for an enterprise-wide strategic stakeholder approach to sales ethics is developed to address ethical sales performance. Stakeholder orientation goes beyond market orientation and customer orientation and provides the foundation for an organizational ethical culture and an ethical sales subculture. Organizational values and norms can dictate modes of behavior and help balance stakeholder interests. Understanding organizational ethical decision making helps to identify risk and aids in the development of appropriate programs to prevent misconduct. A strategic focus includes an ethical organizational culture, guidelines and boundaries for conduct, as well as continuous improvement.

Keywords: enterprise-wide risk management; sales subculture; stakeholder orientation; sales ethics; ethical decision making

Overview

There is evidence that strategic sales leadership, which builds on an ethical organizational culture, and a sales management control strategy contributes to ethical decisions in business to business (B2B) sales (Ingram, LaForge, & Schwepker, 2007). The sales force plays a pivotal role in developing transparency and trust with stakeholders. Market orientation with a sales customer orientation could be the first step in developing a concern for all stakeholders. A positive association has been found between stakeholder orientation (SO), market and financial performance, reputation, and employee commitment (Maignan, Hult, Ferrell, & Gonzalez, 2009). An ethical organization develops a strategic perspective and recognizes the interface with relevant stakeholders, and develops principled performance and an ethical culture.

The purpose of this paper is to provide a framework for a strategic approach to an enterprise-wide stakeholder perspective that encompasses sales ethics. An ethical sales function in an organization should not operate as a silo independent from the organizational culture as a whole. The management of ethical risks that are specific to an industry or firm, as well as ethical risks in the sales function, must be managed. To fulfill its obligations, the sales force must consider very specific risks associated with interactions with customers and communications about products and organizational competence. Ignoring stakeholders can create reputational, and even legal, issues. The salesperson can either build long-term trust or destroy it and the reputation of a firm in minutes.

*Corresponding author. Email: lferrell@mgt.unm.edu

ISSN 0965-254X print/ISSN 1466-4488 online

DOI: 10.1080/09652540903064779
http://www.informaworld.com

Our approach in this analysis is first to use a stakeholder framework to position the sales function in a strategic role to participate in the development and implementation of ethical marketing practice. While stakeholder orientation is an organizational philosophy, customer orientation is consistent with an ethical sales force. A strategic approach to ethics develops a process for addressing stakeholder issues and concerns including: (1) creating a strategic focus on stakeholders, risk tolerance and culture; (2) developing guidelines and boundaries for acceptable practices; and (3) creating mechanisms for continuous improvement. We address the nature of organizational ethical decision making and the role of enterprise-wide risk assessment and a principled approach to establishing boundaries for ethical decisions.

Foundations of a strategic approach to sales ethics: stakeholder orientation

Stakeholder orientation (Freeman, 1984) considers the interests of all individuals and groups to whom the business is responsible. The three conditions that help identify stakeholders interests are: (1) the groups or individuals can be positively or negatively impacted by organizational activities and/or are concerned about the impact of organizational decisions and actions on other groups; (2) the individuals or group can grant or deny resources to the organization; and (3) the individuals or group valued by the organizational culture (Frooman, 1999; Maignan & Ferrell, 2004; Rowley, 1997). The stakeholder framework rests on the normative foundation that 'all persons or groups with legitimate interests participating in an enterprise do so to obtain benefits and that there is no prima facie priority of one set of interests and benefits over another' (Mitchell, Agle, & Wood, 1997, p. 868).

While the stakeholder perspective recognizes the intrinsic value of all stakeholders, sales strategies based on a market orientation (MO) have focused on customers and competitors more than other stakeholders (Day, 1994; Narver & Slater, 1990). Studies show that sales orientation (focused on getting the sale) based on customer orientation (focused on enhancing customer value) is a key forecaster of salesperson job performance. High performance occurs when salespeople focus their energy on identifying the customer's individual needs and offer products to satisfy those needs (Jaramillo, Ladik, Marshall, & Mulki, 2007). On the other hand, MO is an enterprise-wide concept. One study found a weak link between MO norms and customer orientation of the salesperson (Farrell, 2005). This signals a need for better implementation of MO norms to sales force behavior. Elevating one group of stakeholder's interests over all other interests can have a significant impact on employee behavior, as evidenced by Wal-Mart's earlier focus on 'saving customers' money' at the expense of employee, supplier, community, and governmental and regulatory groups' interests. Employees, customers, shareholders, regulators, and suppliers are key stakeholders. Competitors, a key concern in MO, can be considered a secondary stakeholder and are important to an organization because their actions have the power to influence the outcomes of marketing strategies.

Stakeholder orientation as a component of sales strategy

The stakeholder perspective has been a pervasive part of the marketing literature on ethics and social responsibility (Blodgett, Lu, Rose, & Vitell, 2001; Maignan & Ferrell, 2004; Sen, Bhattacharya, & Korschun, 2006). The utilization of the stakeholder concept in marketing appears to be a relevant tactic, and using such an approach can be helpful in strategizing about addressing stakeholder needs, interests, and demands (Bhattacharya & Korschun, 2008; Polonsky, 1996). While MO considers the importance of factors other than customers, it does not appear to have as broad a construct as SO in addressing relevant interests (Deshpandé, Farley, & Webster, 1993).

We propose the use of SO to better manage the sales function in a strategic framework. SO embraces both organizational and sales behaviors that encourage all participants to continuously be aware of, and act positively upon, stakeholders' current and emerging interests. SO makes organizational participants actively engage to address the concerns and needs of relevant stakeholders. The first step in understanding ethical issues is recognizing stakeholder interests and concerns. Stakeholders are individuals, groups, even communities, that can directly or indirectly affect a firm's activities. Although most corporations have emphasized shareholders as the most important stakeholder group, the failure to consider all significant stakeholders can lead to ethical lapses. In sales organizations, stakeholders include employees, customers, suppliers, investors, regulators, communities, as well as shareholders. Some executives believe that if their companies adopt a MO and focus only on customers and competitors, all other groups will be adequately supported. Sales must include a strong customer orientation to be successful, but, failure to recognize the needs and potential impact of employees, suppliers, regulators, special-interest groups, communities, and the media, can lead to adverse consequences. For example, investment advisors from the Swiss bank UBS helped many wealthy Americans hide assets and avoid paying taxes in the USA (Barrett & Novak, 2009). In theory, this was the implementation of customer orientation. This scheme damaged all stakeholders and tarnished the ethical reputation of UBS. Consequences from ignoring stakeholder groups can be especially dire in the sales organization, where the boundary-spanning role of sales allows for significant communication outreach with customers, suppliers, communities, as well as others.

Therefore, the sales organization needs to consider enterprise-wide stakeholders and to identify and prioritize their concerns about organizational activities, and gather information to respond to significant individuals, groups, and communities. These groups apply their own values and standards to their perception of many diverse issues. They supply resources (e.g. capital, labor, expertise, infrastructure, sales, etc.) that are more-or-less critical to a firm's long-term survival, and their ability to withdraw (or threaten to withdraw). In essence, these resources give them power. The B2B sales function has a special responsibility because of the sales and service they provide and the need to develop trust in providing deliverables. Most salespeople operate with significant autonomy in their sales role. Maintaining standards for behavior in consideration of diverse stakeholders is essential to long-term success. The specific role context of the sales force sometimes is limited to maintaining and increasing sales. The sales area has to utilize an organizational and cross-functional perspective. Strategic oversight is required to maintain a more holistic focus on stakeholder issues.

One approach to stakeholders is to deal proactively with their concerns and ethical issues and to stimulate a sense of bonding with the firm. When an organization listens to stakeholder concerns and tries to resolve issues, the result is tangible benefits that can translate into customer loyalty, employee commitment, supplier partnerships, and improved corporate reputation. Achieving this requires going beyond industry standards and basic regulatory requirements by genuinely listening to stakeholders and addressing their concerns. In the sales organization, transparency and truthfulness about products is a necessity. There is a requirement that top management or the board of directors exercise due diligence in managing their sales goals. When firms focus exclusively on profits and financial incentives for employees to perform, they can lose sight of risks and potential ethical and legal issues. For example, the European Commission levied a €676 million fine against the wax industry for creating a cartel that constituted an anti-trust violation. Sales executives had meetings in hotels across Europe to fix prices. The so-called 'paraffin mafia' included firms such as South Africa's Sasol, France's Total, and the USA's Exxon Mobil (*Ethisphere*, 2008). To achieve results, employees may be permitted to bend rules if it benefits their performance. The problem can worsen if the firm limits transparency of sales executives' activities, and an ethical disaster such as antitrust violations may occur.

Stakeholder values and norms' role in responsible behavior

Marketers have historically tended to engage in socially responsible behaviors only in the presence of stakeholder power and influence. Social and regulatory groups are increasingly pressuring business to operate more responsibly and much of what is happening is being driven from outside influence, not proactive behavior. Marketers, therefore, limit their responsibility initiatives to those issues of concern to the most powerful and visible stakeholder communities. This view has some merit, especially since managers and employees form stakeholder communities that actively defend specific norms and values within the firm. However, organizations may be driven to commit to a specific cause independently of any stakeholder pressure. Businesses may also want to exceed stakeholder expectations. For example, BP Global deals openly and transparently with shareholders as well as other stakeholders. Their goal is to set appropriate external targets in line with its internal targets and report against them periodically. The group also acts in accordance with the principles of the Extractive Industries Transparency Initiative (BP, 2009).

Thus, organizational values and norms can dictate modes of behavior that are more stringent than those demanded by various stakeholder communities (Maignan & Ferrell, 2004). Organizations such as Medtronics have senior managers attend medical surgeries to better understand the use, benefits, and gain direct feedback on how their products work in these critical situations. Cisco believes that selling a product without extensive after sales service to the account is irresponsible selling.

Clear organizational values and norms are also needed to select among conflicting stakeholder demands. A certain sales organization could indeed be faced with equally powerful stakeholders whose views of social responsibility imply different business practices. For example, while customers may demand environmentally friendly products, shareholders may question green investments because of their high costs and uncertain returns. Accordingly, organizational values and norms are especially useful to guide socially responsible practices when they specify the nature of either relevant stakeholder communities or important stakeholder issues. For example, the pharmaceutical company Bristol-Myers Squibb states on its website: 'Our company's core values ... center on sustaining and improving the lives of people throughout the world. This specifically includes our employees and shareholders, customers and consumers, suppliers and contractors, and members of the communities in which we operate.' Noticeably, even though strong organizational values and norms are important, they are not sufficient to ensure responsible corporate behaviors: they may fail to account for the evolving norms and issues valued by powerful stakeholder communities. Therefore, businesses must be capable of defining their values and norms while concurrently keeping abreast of those of their stakeholders. Values and norms are key factors in determining socially responsible and ethical behaviors.

Organizational ethical culture and sales ethical subculture

Although individuals must make ethical choices, they often do so in committees, group meetings, and through discussion with colleagues. In the sales organization, team selling increasingly is used to deal with complex products and solutions to business challenges, however, the lack of individual accountability and cross-functional teams can result in uneven understandings of acceptable and unacceptable behavior. Ethical decisions in the workplace are guided by the organization's culture and the influence of coworkers, superiors, and subordinates. A significant element of organizational culture is a firm's ethical climate – its character or conscience. Whereas a firm's overall culture establishes values that guide a wide range of behaviors for members of the organization, its ethical climate focuses specifically on issues of right and wrong. Codes of conduct and ethics policies, top management's and coworker's actions on ethical issues, and the opportunity for misconduct all contribute to an organization's ethical climate. In fact, the ethical climate determines whether certain dilemmas are perceived as having a level of ethical intensity that requires a decision. In providing financial incentives for performance, salespeople may only see the rewards for the sale, not the risks or consequences of unethical behavior.

The sales function can have a unique ethical climate or subculture within the ethical culture of the organization. Therefore, the sales ethical subculture influences managers and coworkers and may create conditions that either limit or permit misconduct. If these conditions act to provide rewards – such as financial gain, recognition, promotion, or simply the good feeling from a job well done – for unethical conduct, the opportunity for further unethical conduct may exist. For example, a company policy that does not provide for punishment of employees who violate a rule (e.g. not to misrepresent competitors' products or competence) effectively creates an opportunity for that behavior because it allows individuals to break the rule without fear of consequences. Thus, organizational policies, processes, and other factors may contribute to the opportunity to act unethically.

Such opportunities often relate to salesperson's immediate job context – where they work, with whom they work, and the nature of the work. The specific work situation includes the motivational 'carrots and sticks' that managers can use to influence employee behavior. Pay raises, bonuses, and public recognition are carrots, or positive reinforcement, whereas reprimands, pay penalties, demotions, and even firings act as sticks, or negative reinforcement. For example, a sales manager that is publicly recognized and given a large bonus for operating a successful regional sales force while knowingly condoning unethical tactics in the field will probably be motivated to use unethical sales tactics in the future, even if such behavior goes against his or her personal value system.

Performance outcomes have a significant impact on how sales managers deal with employees. Average and poor performers are generally disciplined and managed more according to the rules and culture of the organization whereas top performers are able to 'bend the rules' and engage in behaviors that would not be tolerated at lower performance thresholds (Bellizzi & Bristol, 2005; Bellizzi & Hasty, 2003). Sales managers and key account managers have an incredible impact on quarterly earnings. Even heavily regulated insurance companies and investment banks developed corporate cultures that provided incentives for selling high risk products. Merrill Lynch, as well investment banks such as Goldman Sachs, Lehman Brothers, and Bear Stearns ratified incentives, bonuses, and compensation packages based on sales, not ethics, transparency, or stakeholder concerns. All of these firms contributed to a global financial collapse because of the influence of their corporate culture on their sales subculture, which encouraged reckless speculation that ignored the interests of shareholders, customers, and regulatory agencies. Enron gave account managers and traders a bonus system to inflate future profitability before outcomes of sales transactions were known. The incentives in these companies for misconduct were systematic and cultural, not merely rogue sales managers.

Ethical decision making in sales

A strategic approach to managing sales ethics starts with an understanding of how ethical decisions are made in the context of an organization. Research indicates that both individual and organizational factors influence ethical decision making (McClaren, 2000). Individual factors include age, education, individual values, job tenure, and other personal factors. For example, women tend to be more ethical than men in the workplace. Individuals who have longer tenure on the job and more education also tend to make more ethical decisions (Loe, Ferrell, & Mansfield, 2000).

Jaramillo et al. (2007) found that 'lone wolf' tendencies in salespeople lower contextual performance as represented by helping, courtesy, and sportsmanship. Personal ethical perspectives related to teleological and deontological philosophies have been found to influence individual ethical decisions (Hunt & Vitell, 1986). Deontology focuses on the principles, rights, or duties, rather than the consequences of an action. Teleology, on the other hand, focuses on the final results, or the consequences, of an act. Utilitarianism is a teleological philosophy that is concerned with achieving the greatest good for the greatest number of people. Cognitive moral development is a personal factor that indicates moral maturity but it is difficult to measure and connect to organizational ethical decision making (Robin, Gordon, Jordan, & Reidenback, 1996).

Organizational culture, the subculture or ethical climate of the sales force and the sales role and environment are areas for strategic management (Ferrell, Johnston, & Ferrell, 2007). The foundation for identifying ethical issues is a SO that listens to stakeholder issues, evaluates risks, and responds with guidelines for behavior. An organizational culture provides values and norms for the entire enterprise and the sales organization subculture should be based on a purposeful plan, commitment, and effective leadership for day-to-day implementation. Unless top managers understand how ethical decision making occurs in the context of their specific organization and functional area, then they will not be able to identify ethical risk and develop appropriate programs to prevent misconduct.

Ethical decision-making models in marketing, by Dubinsky and Loken (1989), Ferrell and Gresham (1985), Ferrell, Gresham, and Fraedrich (1989), Hunt and Vitell (2006), and Wotruba (1990) help define an understanding of how ethical decisions are made in a sales context. These models have provided a conceptual framework for sales ethics research that reinforces our understanding and provides strategic insights and direction for managers (Ferrell et al., 2007). Research indicates that members of the sales organization do not differ from members of other marketing professions with respect to personal moral perspectives, or perceptions of ethical problems and feasible resolution (Singhapakdi & Vitell, 1992). While Ferrell and Gresham (1985) proposed that attitudes will affect ethical decision making, Dubinsky and Loken (1989) suggested that these attitudes are affected by behavioral and normative beliefs. In an effort to extend sales ethics research, Wotruba (1990) developed the EDAP (Ethical Decision Action Process) sales ethical framework that included four major elements: (1) the moral decision structure; (2) characteristics of the decision maker; (3) situational moderators; and (4) outcomes. This framework enabled researchers to direct research activity to specific components of the sales ethical decision process.

Opportunity relates to sales managers' immediate job context, where they work, with whom they work and the nature of that work. In addition, the immediate job context includes motivational tactics (carrots and sticks) that managers use to influence behavior (Ferrell, Fraedrich, & Ferrell, 2008). Increasing sales and managing the sales force is a pressured environment for performance. It is easier for individuals under pressure to perform, to engage in behaviors that are unethical and potentially illegal (Piercy & Lane, 2007). From an individual perspective, examining an account manager or sales managers' moral philosophy of deontology (rules and principles over negative consequences) should help understand deep seated cognitive processes for making decisions. Hunt and Vitell (1986) state that these entrenched philosophies of decision making are translated into action through the mediating variable of intentions. From a teleology perspective, the process of making an ethical decision will involve evaluating the consequences to relevant stakeholder groups.

Those sales managers who embrace egoism, which means focusing one's own self-interest, a central concern of teleological thinking, have the potential to be rogue decision makers that ignore the sales subculture of formal ethics and engage in misconduct to benefit themselves. In a positive finding, Cohen and Reed (2006) discovered that the organizational culture will be the major influence of ethical decision making because organizational members rely on context-specific attitudes. Once attitudes are recalled for evaluating an ethical decision, a perceived readiness will prompt actual behavior. If the conclusion is that a situation raises ethical issues, then the situation should provoke a recollection of past instances of ethical decision making to determine a decision. This means that strategic leadership that creates a positive sales ethics subculture and effective compliance standards can control rogue employees' behavior. Individuals working in a culture that is transparent creates accountability through internal controls that have the potential to develop appropriate context-specific attitudes and behaviors.

The challenges of managing risk

For most sales organizations, there is a fear of discovering illegal activity or misconduct. Given its position within the organization, the sales staff often finds itself on the front line of serious ethical and legal misconduct. Sales staff can find opportunities for price-fixing, bribery, misrepresentation of product quality, conflicts of interest, channel stuffing, and facilitation of accounting fraud; as well as human resource issues related to discrimination, sexual harassment, and abusive behavior toward coworkers. All of these potential issues should be considered threats that must be monitored and managed. Sales organizations need to identify potential risks and to uncover activities that, if left undetected, could devastate the sales function, not to mention the organization as a whole. Therefore, organizations should have a plan and infrastructure in place to help determine risks and to deal with them as quickly as possible. Organizations should never seek to cover up, ignore, or assume that no one will discover ethical and legal lapses. They instead must seek to discover, expose, and resolve issues as soon as they occur. All sales organizations occasionally have problems with misconduct, and dealing with these events is the only effective way to manage relationships with stakeholders and retain the organization's reputation. The existence of plaintiff-friendly civil litigation can destroy a company's reputation and draw intense scrutiny (Brewer, Chandler, & Ferrell, 2006).

For most sales executives, this potential of discovering serious misconduct or illegal activity somewhere in the organization is their greatest fear. They worry that if misconduct is made public, it could be used by various stakeholders, including secondary stakeholders such as the mass media and competitors, to undermine the firm's reputation. Managers worry that they will discover an ethical situation that is beyond their control which could jeopardize their careers, or their organizations. Fear is such a paralyzing emotion that the temptation to cover up, ignore, or become complacent rather than taking a proactive stance regarding misconduct, can become a daily survival method. Consider this conversation overheard by one of the co-authors. A sales manager told a salesperson to stop talking when he attempted to broach the need to pay a bribe to secure a key account. The sales manager told the sales rep, 'Your job is to get the business any way you can. I don't want to know the details.' This conversation is a common scenario in many sales managers' offices.

In general, the legal system focuses on individual misconduct, rather than organizational systems and ethical culture failures. The case of Bernard Madoff, LLC and accusations that Madoff operated history's largest known Ponzi scheme were made evident to the US Securities and Exchange Commission (SEC) on many occasions over a number of years. However, the SEC was unable to uncover and identify the complex network of feeder funds, and individual agents that were allegedly selling their clients Madoff's investment services. The Madoff Ponzi scheme was sold to the most respected banks, insurance companies, and hedge funds by investment advisors (salespeople) that had not done their due diligence and ignored red flags about the Madoff product (Steklow, 2009). Most prosecutions for misconduct come down to lying, cheating, or deception in a specific transaction by an individual. Regulatory bodies and prosecutors do very little to restore an ethical culture in an organization where the individuals were encouraged or provided incentives to engage in misconduct. If an organization has a culture of opaque decision making, lack of accountability, unreliable operating systems with rewards for performance, the stage has been set for misconduct.

To handle the risks of the sales organization, risk management must be enterprise-wide. Linkages to stakeholders' expectations must exist, as well as to the expectations of boards of directors, senior executives, and other constituencies. An emerging business practice known as Enterprise Risk Management (ERM) can provide a top–down, holistic approach to effective risk management. The goal of ERM is to make sure that the organization will achieve its objectives by managing risk within the stakeholders' range of acceptability for risk (Beasley & Frigo, 2007). If ERM is implemented correctly, it not only protects stakeholders but will create stakeholder value as well. ERM differs from traditional risk management approaches that tend to examine risk in isolation, viewing it as a silo or stove pipe (Beasley & Frigo, 2007). Using a traditional approach, risks managed by the sales function do not address the danger of risks in other areas of the enterprise, including strategic risks. Addressing risks within the sales function does not affect outside areas, and therefore does not mitigate all risks. ERM, on the other hand, seeks to consider the interactive effects of various threats with the goal of balancing an enterprise portfolio. ERM presses to ensure that areas of an organization are within an acceptable range, or appetite, for risk (Beasley & Frigo, 2007).

An example from the recent financial meltdown underscores the failure to utilize ERM on the part of many companies. Consider AIG and its financial products unit that sold credit default swaps, a derivative that provided a form of insurance, without carefully assessing the risk to the entire enterprise. While highly profitable, this financial instrument carried great risk to the entire organization. Nevertheless, the unit offered lucrative rewards to employees for selling the product to banks, hedge funds, and other financial institutions that needed insurance protection for the collateralized debt obligations they bought from organizations such as Freddie Mac. Even after warnings from the CEO, the financial products unit of AIG ignored risks for the entire organization in the drive to create personal financial rewards and higher profits (Loomis, 2009). Ultimately, the actions of the sales unit affected all areas of the business. In enterprise-wide risk management, on the other hand, risk is not viewed as simply financial, but also takes into account nonfinancial risk elements such as ethical risk, and states that consideration of these risks also needs to be integrated across an enterprise.

Developing an effective framework for enterprise-wide sales ethics

Because organizations of all types are increasingly accountable to an expanding number of stakeholders, not merely shareholders and customers, new approaches are being developed to incorporate ethics and social responsibility. Issues such as sustainability; data privacy; and health and welfare of consumers are important to many stakeholder groups. The Open Compliance Ethics Group (OCEG) has suggested that the notion of principled performance be expanded to include economic performance and corporate social responsibility (Mitchell, 2009). Principled performance includes both financial and nonfinancial elements and provides the company with guidelines and boundaries for its operations, including mandated regulations such as laws; core processes often called best practices; and voluntary actions, including its values and external promises. Principled performance means defining what is appropriate for a firm, then working to always proceed in a manner in keeping with those findings so as to create and protect value, as well as to address uncertainty and risk. Principled performance also establishes boundaries for employee conduct. It should extend the traditional shareholder view of performance to address other stakeholder interests and help an organization to secure long-term success. The OCEG has developed a number of enterprise processes that help to create integrated governance, risk management, and compliance programs (Mitchell, 2009). This approach is consistent with the popular concept of the Triple Bottom Line. The Triple Bottom Line captures a spectrum of values and criteria for measuring organizational success, including economic, environmental, and social factors.

Figure 1 identifies an overall approach to managing sales ethics through an organizational process. The first stage involves a commitment to SO, and determining

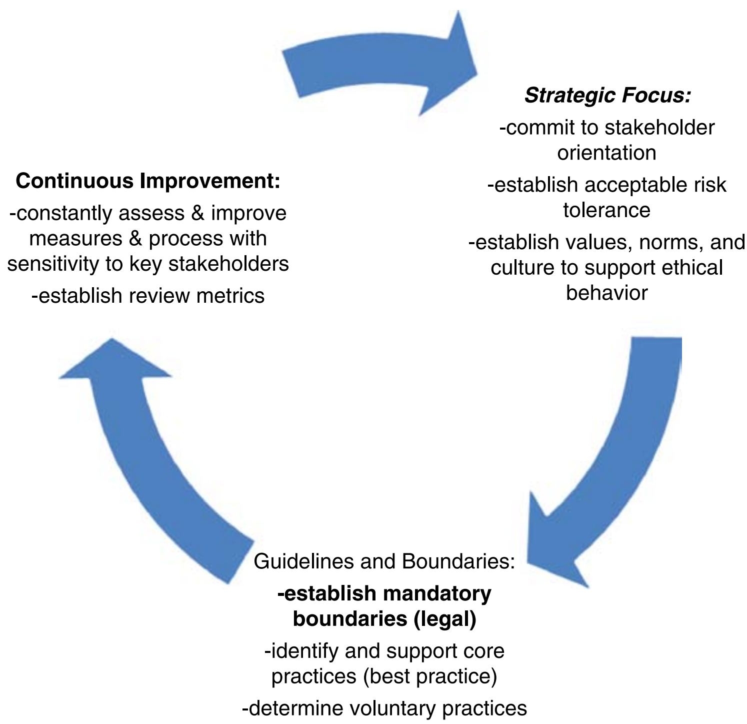

Figure 1. Framework for enterprise-wide sales ethics.

values and norms that drive ethical behavior. Establishing acceptable risk tolerance related to stakeholders helps in identifying appropriate risk thresholds of each group. This first stage helps to understand and create an ethical culture. The second stage involves identifying the activities and processes for ethical behavior, the legal mandates relevant in the organization, as well as assessing industry-wide best practices in managing risk and employee behavior. In addition, at this stage, the organization identifies areas of interest to stakeholders that through voluntary actions can support corporate social responsibility. In the third stage, a continuous improvement system is developed to identify risks that are not being properly managed through the current process. Key metrics and systems are developed to apprise top management and key decision makers of changes in expectations and behavior which need to be addressed in revisions to this process.

The implementation of SO requires effective corporate governance, understanding risks, ethics, and compliance, as well as effective internal controls. The corporate culture has to provide systems and processes to manage ethics and compliance. Without enterprise-wide commitment to SO, the sales function in an unethical organizational culture will be a silo in a sea of sharks. The failure to identify key stakeholder groups could result in a failure to address important risks. In addition to a strong commitment to ethics and responsibility, resources and a sense of urgency to act are required. Gaining feedback from relevant stakeholders is necessary when formulating a successful corporate strategy.

Many of the rewards that are provided to the sales force are approved and encouraged by top management and the board of directors. The nature of a sales orientation is to provide incentives for the salesperson and sales managers to reach sales objectives. The failure to achieve sales objectives will result in fewer financial rewards and often termination of employment. In an organization in which the mentality is exclusively ‘sales oriented’ and focused on the bottom line, it will be difficult to eliminate the pressures and rewards for misconduct. A Triple Bottom Line mentality that is embraced throughout the enterprise will provide an opportunity for the sales function to become a part of the systems and processes that support responsible conduct. Unfortunately, it is not as easy as conducting a training program to educate sales people on ethics or creating a sales code of ethics. The organizational culture can overwhelm any specific program or policy if the rewards for misconduct are visible and accepted as part of the culture.

Enterprise-wide nature of team selling ethical decisions

Inherent in the process of team selling is the coordination and collaboration of various functional areas within the organization working to support sales success. Providing highly skilled team members to support the salesperson in communicating with, responding to, or joining in presentations to customers or potential customers means that to manage the ethical risks in sales, you must take an enterprise-wide approach to evaluating risks and communicating standards. Traditional organizational structures in sales are under increasing pressure to better adapt to the customers’ needs (Piercy & Lane, 2003). Key accounts tend to be best served by utilizing a team approach (Jones, Dixon, Chonko, & Canon, 2005). In addition, Henke, Krachenberg, and Lyons (1993) note that much more effort goes into assembling teams, than goes into training those teams. As these teams may either be ad hoc or key long-term groups, their formalization has strategic importance. The greater the policies and norms of formalization that influence team relationships, the greater the integration and effectiveness of the team (Moenaert & Souder, 1990; Ruekert & Walker, 1987). Clear goals and objectives to the sales force result in greater levels of cooperation and lower levels of conflict between functional areas within the organization (Norburn, Dunn, Birley, & Boxx, 1995). Therefore, enterprise-wide risk management mechanisms would support increased efficiency and effectiveness as they clarified risks and organizational expectations related to those risks.

As sales organizations increase their reliance on sales teams, the ethical culture of the organization may have more impact on ethical decisions than the prevailing sales ethics subculture. Collaborative understanding and commitment to adhering to enterprise-wide risk management, ethical norms, values and behaviors will be necessary to avoid conflict between team members. As products become more technical and more complex, the sales team will be required to work with other divisions of the firm to create solutions for the customer (Jones et al., 2005). Different attitudes toward ethics have the potential to create conflicts and the possibility of misconduct. The ethical conflicts in the selling team can be intensified when selling to a buying center. These interactions can be person-to-person or selling team-to-buying team. While there is this opportunity for the buying firm and selling firm to create a collaborative long-term relationship, the selling firm and sales team must be in touch with the buying team's ethical standards and culture. Since each organization will have a somewhat different ethical culture, expectations and perceptions about ethics, trust, transparency, and fairness can be different.

If the sales team includes representatives of engineering, R&D, supply chain, and other functions, it is important to have an enterprise-wide consensus on ethical behavior. This enterprise-wide consensus will only occur through organizational ethics programs and processes that create an ethical culture, and will stem from viewing the components of customer interaction as a holistic understanding about ethics in the context of complex interactions (Mattsson, 2008). All team members should be aware of the level of risk that can be acquired, as well as ethical values and norms and compliance standards. Once team members from cross-functional areas understand and accept the ethical culture, then the stage is set for critical thinking and collaboration to resolve new ethical dilemmas. There will never be sufficient rules, policies, and compliance standards to anticipate new emerging ethical issues. Developing a team awareness that considers ethical issues and stakeholders will allow team members to rely on each other and engage in constructive debate to resolve issues.

Conclusions

Based on our framework, organizations need to address sales force ethics from a strategic, enterprise-wide perspective. Most major ethical misconduct in sales stems from systematic failure related to isolating the sales function and creating incentives and rewards for taking marginal yet excessive risks. Organizational pressure for financial performance can be translated into unrealistic expectations from sales. The average tenure of a Chief Marketing Officer is a mere 22.9 months, indicating the strong performance pressure on this position. When performance expectations vary among top executives, there is greater organizational-wide opportunity for wrongdoing (Brand Autopsy, 2004). Approaching sales ethics from the individual perspective ignores the importance of stakeholder risk assessment and the influence of organizational cultures and the sales subculture. While there will be rogue salespersons or 'lone wolves', a principles based ethics and compliance program can minimize the number of individuals that engage in misconduct.

Starting with a strategic SO it is possible to assess and respond to the most visible and relevant stakeholder communities. Organizational values and norms can dictate modes of behavior that not only meet, but exceed stakeholder expectations. Clear organizational values and norms are needed to select among conflicting stakeholder demands. Understanding ethical decision making in an organizational context is necessary to develop an overall strategy to establish systems and processes to obtain desired ethical outcomes. Both individual and organizational factors that influence ethical decision making must be considered in establishing acceptable ranges for risk taking and internal controls.

Ethical decision making in sales requires an understanding and integration with an enterprise-wide ethics initiative. Because of cross-functional involvement in sales, especially in key account management and team selling, excessive foci on the individual salesperson or viewing the sales area as in control of all ethical outcomes have many limitations. Unless both the organization and the sales area have the same SO, they will fail to identify risks that create important ethical issues. A SO embraces both enterprise-wide values and behaviors as well as sales behaviors. All organizational participants need to be continuously aware of, and act positively to address current and emerging issues. Based on a societal emphasis on transparency, the failure to consider all significant stakeholders can lead to ethical conflict, diminished reputation, and legal issues. When both the enterprise and the sales function listen to stakeholder concerns, they can resolve and avoid ethical mistakes. The tangible benefits of enterprise-wide stakeholder perspective include improved financial performance, customer loyalty, collaborative partnerships, and improved reputation. It is important to go beyond basic regulatory requirements by integrating SO into the organization, marketing strategy, as well as the sales strategy.

Enterprise-wide risk management is a holistic view of risk that establishes boundaries and a range of acceptability for risk. Based on the global financial industry meltdown, failure to effectively manage risk will become more important in the future. Enterprise risk management differs from traditional risk management in that it considers risk across the organization, versus in isolation. The sales function may be focused on the risks of salespersons paying bribes, fixing prices, or conflicts of interest. A holistic approach considers the risks which occur outside the sales function.

A corporate culture creates principled performance by establishing values and norms that create boundaries for activities; including required nonnegotiable compliance, core practices, a commitment to excel, and allow for voluntary contributions to integrity. The Triple Bottom Line, which includes criteria for measuring organizational success such as economic, environmental, and social factors, provides a useful assessment of implementation. Too often, the sales force operates in an organizational environment where their role and rewards are all focused on a single, financial, bottom line. The incentives for performance overshadow concerns for a balanced stakeholder perspective. When the rewards are placed into a one-dimensional perspective, the possibility of focusing on transactional relationships that take care of short run requirements is created.

Future research should focus on the SO concept, its benefits, and link to sales ethical performance. Studies that compare the SO, MO, and customer orientations as factors that influence sales ethics could provide an increased understanding of the strategic management of sales performance. While research has linked SO with financial performance of the firm, investigating the relationship of SO to sales performance could provide directions for developing incentives and a holistic evaluation of sales performance. Studies to determine industry-wide ethical risks and risk tolerance can assist in managing organizational and sales ethics risks. Classifying mandatory (legal) requirements, core best practices, and appropriate voluntary activities to support sales ethics could be beneficial. Ethics audits, assessments, and metrics to gauge performance could assist in continuous improvement. The strategic management of sales ethics will continue to consider individuals that operate independently and require compliance and internal control systems to prevent misconduct.

References

Barrett, W.P., & Novack, J. (2009, February 16). Never cheat a cheater. *Forbes*, p. 38.

Beasley, M.S., & Frigo, M.L. (2007). Strategic risk management: Creating and protecting value. *Strategic Finance*, *88*(11), 25–31.

Bellizzi, J.A., & Bristol, T. (2005). Supervising the unethical selling behavior of top sales performers: Assessing the impact of social desirability bias. *Journal of Business Ethics*, *57*(4), 377–388.

Bellizzi, J.A., & Hasty, R.W. (2003). Supervising unethical sales force behavior: How strong is the tendency to treat top performers leniently? *Journal of Business Ethics*, *43*(4), 337–351.

Bhattacharya, C.B., & Korschun, D. (2008). Stakeholder marketing: Beyond the four Ps and the customer. *Journal of Public Policy & Marketing*, *27*(1), 113–116.

Blodgett, J.G., Lu, L.-C., Rose, G.M., & Vitell, S.J. (2001). Ethical sensitivity to stakeholder interests: A cross-cultural comparison. *Journal of the Academy of Marketing Science*, *29*(2), 190–202.

Brand Autopsy. (2004). *The shrinking tenure of CMOs*. Retrieved February 6, 2009 from http://brandautopsy.typepad.com/brandautopsy/2004/07/the_shrinking_t.html

Brewer, L., Chandler, R., & Ferrell, O.C. (2006). *Managing risks for corporate integrity: How to survive an ethical misconduct disaster*. Mason, OH: Thomson Higher Education.

British Petroleum (BP). *External relationships*. Retrieved February 6, 2009 from http://www.bp.com/sectiongenericarticle.do?categoryId=9002637&contentId=7005208

Cohen, J.B. & Reed, A., II (2006). A Multiple Pathway Anchoring and Adjustment (MPAA) model of attitude generation and recruitment. *Journal of Consumer Research*, *33*(1), 1–15.

Day, G.S. (1994). The capabilities of market-driven organizations. *Journal of Marketing*, *58*(4), 37–52.

Deshpandé, R., Farley, J.U., & Webster, F.E. (1993). Corporate culture, customer orientation, and innovativeness in Japanese firms: A quadrad analysis. *Journal of Marketing*, *57*(1), 23–27.

Dubinsky, A.J., & Loken, B. (1989). Analyzing ethical decision making in marketing. *Journal of Business Research*, *19*(2), 83–107.

Ethisphere Magazine. (2008). European Commission fines ‘paraffin mafia’ €676 million. *Resource guide: Antitrust/business practices* (global) (4th quarter), p. 70.

Farrell, M.A. (2005). The effect of a market-oriented organisational culture on sales-force behaviour and attitudes. *Journal of Strategic Marketing*, *13*(4), 261–273.

Ferrell, O.C., Fraedrich, J., & Ferrell, L. (2008). *Business ethics: Ethical decision making and cases* (7th ed.). Boston, MA: Houghton Mifflin Company.

Ferrell, O.C., & Gresham, L.G. (1985). A contingency framework for understanding ethical decision making in marketing. *Journal of Marketing*, *49*(3), 87–96.

Ferrell, O.C., Gresham, L.G., & Fraedrich, J. (1989). A synthesis of ethical decision models for marketing. *Journal of Macromarketing*, *9*(2), 55–64.

Ferrell, O.C., Johnston, M., & Ferrell, L. (2007). A framework for personal selling and sales management ethical decision making. *Journal of Personal Selling & Sales Management*, *4*(27), 291–299.

Freeman, R.E. (1984). *Strategic management: A stakeholder approach*. Boston, MA: Pitman.

Frooman, J. (1999). Stakeholder influence strategies. *Academy of Management Review*, *24*(2), 191–205.

Henke, J.W., Krachenberg, A.R., & Lyons, T.E. (1993). Cross-functional teams: Good concepts, poor implementation. *Journal of Product Innovation Management*, *10*(3), 216–229.

Hunt, S.D., & Vitell, S.J. (1986). A general theory of marketing ethics. *Journal of Macromarketing*, *6*(1), 5–16.

Hunt, S.D., & Vitell, S.J. (2006). The general theory of marketing ethics: A revision and three questions. *Journal of Macromarketing*, *26*(2), 143–153.

Ingram, T.N., LaForge, R.W., & Schwepker, C.H., Jr. (2007). Salesperson ethical decision making: The impact of sales leadership and sales management control strategy. *Journal of Personal Selling & Sales Management*, *27*(4), 301–316.

Jaramillo, F., Ladik, D.M., Marshall, G.W., & Mulki, J.P. (2007). A meta-analysis of the relationship between Sales Orientation–Customer Orientation (SOCO) and salesperson job performance. *Journal of Business and Industrial Marketing*, *25*(5), 302–310.

Jones, E., Dixon, A.L., Chonko, L.B., & Canon, J.P. (2005). Key accounts and team selling: A review, framework, and research agenda. *Journal of Personal Selling and Sales Management*, *25*(2), 181–198.

Loe, T., Ferrell, L., & Mansfield, P. (2000). A review of empirical studies assessing ethical decision making in business. *Journal of Business Ethics*, *25*(3), 185–204.

Loomis, C. (2009, January 19). AIG: The company that came to dinner. *Fortune*, 70–78.

Maignan, I., & Ferrell, O.C. (2004). Corporate social responsibility and marketing: An integrative framework. *Journal of the Academy of Marketing Science*, *32*(1), 3–19.

Maignan, I., Hult, T., Ferrell, O.C., & Gonzalez, T. (2009). Stakeholder orientation: Development and testing of an expanded framework for marketing. MSU working paper.

Mattsson, J. (2008). Strategy by bottom–up abstractions of the customer interface. *Journal of Strategic Marketing*, *15*(5), 391–399.

McClaren, N. (2000). Ethics in personal selling and sales management: A review of the literature focusing on empirical findings and conceptual foundations. *Journal of Business Ethics*, *27*(3), 285–303.

Mitchell, R.K., Agle, B.R., & Wood, D.J. (1997). Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts. *Academy of Management Review*, *22*(4), 853–886.

Mitchell, S.L. (2009). *A pathway to Principled Performance®: The OCEG framework approach to integrated GRC*. Retrieved February 3, 2009, from OCEG Online, http://www.oceg.org/Details/20055

Moenaert, R.K., & Souder, W.E. (1990). An information transfer model for integrating marketing and R&D in personnel in new product development projects. *Journal of Product Innovation Management*, *7*(2), 91–107.

Narver, J.C., & Slater, S.F. (1990). The effect of market orientation on business profitability. *Journal of Marketing*, *54*(4), 20–35.

Norburn, D., Dunn, M.G., Birley, S., & Boxx, R.W. (1995). Corporate values and the marketing concept: Examining interfunctional relationships. *Journal of Strategic Marketing*, *3*(4), 215–232.

Piercy, N.F., & Lane, N. (2003). Transformation of the traditional sales force: Imperatives for intelligence, interface, and integration. *Journal of Marketing Management*, *5*(6), 563–583.

Piercy, N., & Lane, N. (2007). Ethical and moral dimensions associated with strategic relationships between business-to-business buyers and sellers. *Journal of Business Ethics*, *72*(1), 87–102.

Polonsky, M.J. (1996). Stakeholder management and the stakeholder matrix: Potential strategic marketing tools. *Journal of Market-Focused Management*, *1*(3), 209–229.

Robin, D.P., Gordon, G., Jordan, C., & Reidenback, R.E. (1996). The empirical performance of cognitive moral development in predicting behavioral intent. *Business Ethics Quarterly*, *6*(4), 493–515.

Rowley, T.J. (1997). Moving beyond dyadic ties: A network theory of stakeholder influences. *Academy of Management Review*, *22*(4), 887–910.

Ruekert, R.W., & Walker, O.C. (1987). Marketing's interface with other functional units: A conceptual framework and empirical evidence. *Journal of Marketing*, *51*(1), 1–19.

Sen, S., Bhattacharya, C.B., & Korschun, D. (2006). The role of corporate social responsibility in strengthening multiple stakeholder relationships: A field experiment. *Journal of the Academy of Marketing Science*, *34*(2), 158–166.

Singhapakdi, A., & Vitell, S.J. (1992). Marketing ethics: Sales professionals versus other marketing professionals. *Journal of Personal Selling and Sales Management*, *12*(4), 27–38.

Steklow, S. (2009, January 28). In echoes of Madoff, Ponzi cases proliferate. *Wall Street Journal*. Retrieved January 31, 2009, from http://online.wsj.com/article/SB123310397888922265.html

Wotruba, T.R. (1990). A comprehensive framework for the analysis of ethical behavior, with a focus on sales organizations. *Journal of Professional Selling & Sales Management*, *10*(Spring), 29–42.