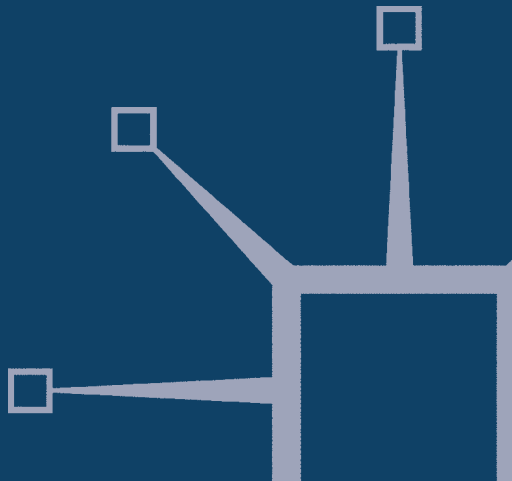# Ethics in Marketing and Communications

Towards a Global Perspective

Edited by

Mary M. McKinley

Ethics in Marketing and Communications

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Foreword

In today's world of globalisation, corporate scandals, tougher battles for market share and loyal customers, and rapid diffusion of technologies that support marketing efforts, there exist more and more ethical issues in the field of marketing and communications.

This collection of research papers reinforces our comprehension of marketing as more than a functional area of organisations; marketing spans the boundaries of the enterprise and is the nexus for many of its stakeholders. Therefore, the reader will find chapters relating not only to typical marketing activities such as advertising but also about the importance of communicating ethics in the banking industry and the ethical concerns of promoting tourism. For it is not a matter of simply behaving ethically but of voicing that behaviour and the resulting impact of it on the company, on the consumer, on the shareholder and on society as a whole.

It is our hope that practitioners and educators will find within these pages useful insights that will permit them to understand the different and conflicting perspectives on ethical dilemmas in marketing and communications, to propose and defend the 'best' ethical response to the situation and to accept that there are consequences for each of the persons involved in the decision. Ethical dilemmas are often multifold, requiring the individual to explore, differentiate and choose among conflicting loyalties.

One of the things we intentionally wanted to avoid in this book was to moralise. Although one could argue that by its very nature commerce is a normative activity, dedicated as it is to reflecting or even creating values for the society it serves, we hope our readers will be able to draw their own conclusions from the work. Because attitudes and values are embedded in culture, we also felt that it is important to respect the norms of the population in which a company operates and what it means to behave in an ethical way.

The countries that provide the setting for the research in this book include the U.K., France and Switzerland in Europe, the United States and China. Can there ever be a globalisation of ethics? Perhaps Kant's categorical imperatives come closest by setting the standard

that permits all acts that can be universalised, that do not treat people as simply a means, and all acts that can be discussed in public so that the entire moral community can accept them.

Yet we also find that development of international trade furthers the expansion of a universal ethics, which could be boiled down to the following key virtues:

- keeping promises
- honouring contracts
- telling the truth
- respecting the lives and personal integrity of people with whom we enter into business relationships.

Plato said that most ethical dilemmas stem from internal personal conflict, that is feeling that either choice could result in a crisis of conscience. While a particular scenario seems to present an obvious breach of ethics, many ethical dilemmas that are not so clear-cut are faced on a daily basis in business. In fact, there may not even be a 'right' or 'wrong' answer to the dilemma, but how one deals with it will say much about the manager and the business. Behaviour that is based on integrity and on the categorical imperatives should lead the marketer to the best decision, the decision that can and should be communicated to the public and the organisation's stakeholders.

Research indicates that the integrity demonstrated by a business can have a positive effect on its bottom line. The challenge is to not only embrace and voice ethical principles, but to also practice them in all business transactions. When the world knows that a business can be trusted to act ethically, the results show up not only in higher profits but also in lower employee turnover and better customer relations – both well-documented as being critical to business survival.

Mary M. McKinley

Acknowledgements

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Marketing communications and ethics

Khosro S. Jahdi

Introduction

There can be no argument about the growing prominence and importance of ethics in organisations as well as individuals' lives. An increasing number of companies are employing ethics and corporate social responsibility (CSR) strategies due to the existence of and the pressure from a variety of so called 'drivers' who may collectively be called 'stakeholders'. Ethics and CSR policies are no longer the type of luxuries that only a select few organisations can afford or are expected to adhere to. It is fast becoming a necessity for companies to formulate and implement such strategies. The role of marketing communications becomes evident when such ethical endeavours are required to be conveyed to various stakeholder groups. Indeed some companies' ethical initiatives have not achieved the desired effects simply due to the absence of effective communications.

Marketing: a spent force or a lifesaver?

The overall perception of marketing has not really been a positive one in society. It has been blamed for a variety of societal ills and this trend appears to continue. It can be argued that perhaps the nearest, most mistrusted, discipline to marketing is accounting: a dubious honour.

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Among others King (1985) refers to four misinterpretations of marketing:

- Thrust marketing – the emphasis is on selling by means of price cutting, with little regard to customer requirements.
- Marketing department marketing – a so called 'bolted-on' department aimed at understanding (current) customer needs of current products.
- Accountant marketing – the organisation's directorate have no direct marketing experience and the focus is on short term profits while neglecting long term survival.
- Formula marketing – control is regarded as more important than innovation. Tried and tested formulas are used while averting risks where possible.

It is conceivable to introduce ethics and social responsibility at any of these levels or categories in order to improve the overall corporate image and take genuine steps towards achieving this goal. The extent and magnitude of efforts will undoubtedly vary from one category to another. So the question that arises here is: how could a discipline such as marketing be employed to communicate an ethical image of an organisation?

In an article in the British journal, *The New Statesman* (2 July 2009), Stephen Green the group chairman of HSBC writes:

> it is clear, in short, that capitalism for the 21st century needs a fundamentally renewed morality to underpin it. To achieve this we must ask ourselves again what progress really is. Is it the accumulation of wealth, or does it relate to a broader, more integrated well-being and quality of life? Surveys consistently show that economic progress has not been accompanied by the expected increase in happiness and that the price paid by many has been in the quality of human relationships...

This is perhaps an indication of the fact that, from a materialistic perspective, we in the developed world at least are generally better off than previous generations; however, a corresponding level of happiness has not accompanied this extra wealth. A major part of this is the rather opaque and unethical manner in which numerous

firms have behaved and the fact that some continue to behave so. Marketing has undoubtedly had a principal role to play in the creation of wealth (and the resultant absence of happiness). As such, marketing should really play a role in making amends and offering a caring version of capitalism since, according to many pundits, we are now lumbered with it in the aftermath of the collapse of communism. Even China is reaping the benefits and costs of embracing capitalism.

Stephen Green further remarks*:*

> there has in particular, been a marked decline in people's perception of whom they can trust. The collapse in perceived trustworthiness is most marked in relation to the banking sector, but applies to the business world more broadly, as trust has declined generally within family life and social relationships … trust is central to the workings of the capitalism system and if we are to restore people's confidence in the market, the moral dimension of what has happened has to be recognised…

Sadly, perceptions of marketing as functional and as a means of revenue creation for a firm and little else still remain. Its potential, scope of influence, and capabilities in relation to ethics and CSR are perhaps overlooked by the majority of firms, who in the main tend to be managed by those from a non-marketing background (invariably accountants and financiers). Inroads into ethics and CSR by marketers have been made, and examples will be provided later, however they are the exception rather than the rule. This practice must change for marketing and communications to have any major impact or significant effect and also in order to polish its own no longer shiny image.

The figure below offers a number of suggested marketing approaches to CSR:

It can be argued that the first seven approaches are perhaps viewed as the 'business as usual' way in which companies apply CSR, in short they represent 'selling' CSR. However, the last three may provide a framework for future marketing strategies aimed at genuine application of CSR, that is the 'marketing' of ethics.

Overall, it can be argued that marketing is not really a spent force, despite its bruised and tarnished image that has not been helped at

Approach	Explanation
Posthumous	CSR applied for damage limitation after the event
Pantomime	CSR seen as superficial play acting
Piecemeal	Token gestures in application of CSR
Public relations	CSR intent communicated to stakeholders
Parsimonious	Frugal application of CSR
Parrot fashion	Follow the competition
Profit driven	CSR for economic gains only
Partnership	Collaborative CSR paradigm
Pro-active	Anticipation of possible CSR benefits
Philanthropic	Altruistic CSR application

Figure 1.1   Marketing approaches to CSR (Jahdi, 2007)

all by the financial catastrophe, mainly emanating from the US and spreading over the globe over the past two years or so. Marketing and its components, traditionally known as the marketing mix, can still contribute to the creation and rehabilitation and maintenance of corporate image and its conveyance in an ethical and socially responsible manner to the company stakeholders. However, it has to be carried out in a way that will ensure the acceptance and credibility of any transmitted messages.

The role of marketing communications

This chapter stated at the outset its aim of explaining and highlighting the possible roles that marketing communications can play vis-à-vis communicating an organisation's ethical stance. Traditionally one would expect to see a list of conventional tools, such as advertising, PR, sales promotion, direct marketing and so forth, for this purpose. Regardless of which tool is selected, an old PR requirement has always been the two Cs of *Contact* and *Convince*. A firm is required to make contact with a stakeholder and then convince it/them of its ethical

and/or CSR intentions and policies. The task is not achieved unless both Cs are effectively implemented. A more comprehensive approach could be McGuire's (1976) information processing model as cited in Blythe (2000: p. 7) shown below:

Stage	Explanation
Exposure	The consumer must have proximity to the message, to not only see or hear it, but also experience it.
Attention	The consumer must be aware of the message and must allocate information processing capacity to it.
Comprehension	The consumer must understand the message, interpreting it to arrive at the meaning that the sender intends it to have.
Acceptance	The message must be absorbed into the consumer's existing set of beliefs and knowledge. If existing attitudes and beliefs are changed during this process, then persuasion has also occurred.
Retention	The message becomes part of the individual's long-term memory.

Figure 1.2   Information processing model

De Pelsmacker et al. (2001), assert that organisations pay attention to the growing importance of the corporate identity for a number of reasons such as:

- The rapid changes in the business environment, requiring the monitoring of corporate image.
- Difficulty of differentiation amongst companies, putting emphasis on developing a distinctive corporate identification (ID).
- Globalisation and the dangers of inconsistent communications, stressing the importance of developing a common corporate ID.

They further write that: 'corporate identity or corporate culture and corporate strategy are important determining factors or cornerstones of the corporate image, as well as marketing and external corporate communications' (p. 15). What the authors also need to reiterate is the increasing prominence of an ethical and socially responsible corporate identity, which is now becoming a major requirement for an organisations' survival and indeed success. The late Coca Cola CEO, Roberto Giozueta was said to have remarked: 'I get paid to make the owners of the company increasingly wealthy with each passing day. Everything else is fluff'. Those days are definitely gone.

Lindblom (1994), with reference to CSR, had suggested it as a legitimation tool. Clark and Gibson-Sweet (1999: p. 6) cite Lindblom's four broad legitimation strategies to be used:

- Informing stakeholders about intended improvements in performance.
- Seeking to change stakeholders' perceptions of the event.
- Distracting attention away from the issue.
- Changing external expectations about its performance.

It can be argued that any and every marketing communications tool is capable of conveying a company's ethics message and contributing to its corporate image and brand equity. However, some communications vehicles can be more powerful and effective than others, such as public relations, advertising and sponsorship, invariably dressed up as cause-related marketing. Marketing communications tools, as mentioned earlier, are not perceived in a positive way by consumers nor, to a large extent, by businesses.

Unfortunately, there is a great deal of public scepticism about company ethical initiatives that are heavily publicised without any clear evidence to support their claims, and the growth of the so-called 'greenwashing'. Examples can be found of such practices, for example, among major oil companies who advertise their 'green' investment, which, in reality, is a minute fraction of their overall fossil fuel-related spend. It is therefore suggested that as well as using the traditional tools of marketing communications, firms should seriously consider strategic alliances and partnerships with appropriate NGOs. The endorsement and support of major NGOs can contribute tremendously to convincing the public (and company stakeholders) of the true intentions of a company. It is not seen as unethical to make

a profit, however, it is the manner in which that profit is made. More recently Marks and Spencer (M&S) have teamed up with Oxfam in an effort to encourage people to donate their M&S clothes to Oxfam in return for a voucher to be used at M&S shops. While one could only admire M&S's initiative to help Oxfam (at a time when, due to the current economic downturn, donations are at an all-time low), cynics might see this as an inducement to get people to spend more money at Marks and Spencer; which it is, but with a charitable benefit as well.

Even company sponsorships and the cause-related marketing practised by some are perceived as suspicious. In addition, there is also the question of the 'strategic fit' between a company and a cause. For instance, some years ago Embassy (cigarettes) used to sponsor snooker competitions. Stakeholders and members of the public could not really see a logical link between a company that produces potentially harmful products and sport. Such practices still continue in car racing/rally driving by certain tobacco manufacturers.

A word about stakeholders

Mitchell et al. (1997, as cited in Fassin, 2009: p. 115) write that: 'the stakeholder approach has even been seen as a "a powerful heuristic device, intended to broaden management's version of its roles and responsibilities beyond the profit maximisation function to include interests and claims from non-stockholding groups"…'. Fassin (2009: p. 116) further states that:

> … a stakeholder refers to any individual or group that maintains a stake in an organisation in the way that a shareholder possesses shares. From the numerous definitions, two dichotomous views emerge (Kaler, 2002) – the 'claimant' definition and the 'influencer' definition of what it is to be a stakeholder – plus the combinatory definition: any group or individual that 'can affect or is affected by the achievement of an organisation's objectives' (Freeman, 1984: p. 46)….

It would be mere folly to ignore or indeed neglect the importance of a firm's stakeholders and ensuring their satisfaction or even delight. However, it is crucial to identify them first and then examine the best means of communicating with them, creating a dialogue (using Grunig's symmetric model approach, q.v.) and evaluating the effectiveness of

such communication on a regular basis. Below is Freeman's (1984) origi-
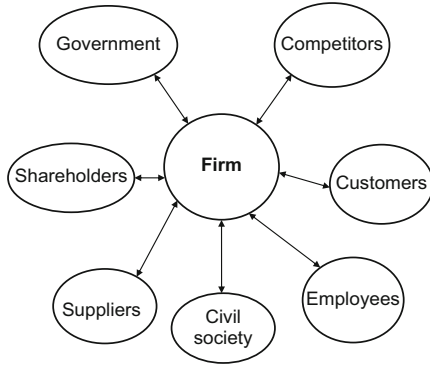nal stakeholder model and its various components:

Figure 1.3   The original stakeholder model, Freeman (1984)

The above, despite being an important model for its day, lacked a
number of additional components that thus far neglected the parts
played by other stakeholders.

The later modified version is depicted below:
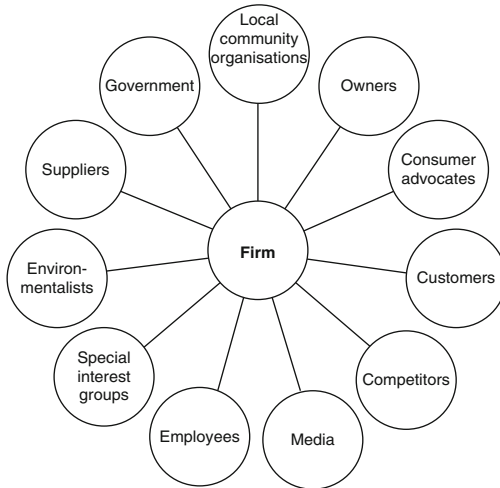
Figure 1.4   The adapted version of the stakeholder model, Freeman (2003)

As can be seen from the above diagram, this model is a more comprehensive illustration of the stakeholders of an organisation. Each will undoubtedly have its own varying sphere of influence and/or its vulnerability to influence by the firm. The identification and, indeed, the assessment of sphere of influence and the degree of affect are not easy tasks complicated further by the lack of clarity and consistency in the definition of a stakeholder and indeed stake. That said, one should not simply dismiss the stakeholder approach as a guide to assisting a firm in improving its treatment of the various players within its macro and micro environments.

Depending on the type of stakeholder and its sphere of influence and power, appropriate marketing communications strategies must be formulated and conveyed using the most effective and relevant tool(s) for the purpose. Almost every marketing communications textbook refers to the basic model of communication, within which is a 'noise' component that reduces it impact. This, as far as ethics is concerned, is the effect of other firms' ethics-related marketing communications, be it PR or sponsorship or other media, and also the effect of negative news reports. The organisation should ensure that its ethical communications can be differentiated from those of its rivals, considering the array and huge number of messages that an average person receives on a daily basis.

Stakeholders and marketing communications tools

With reference to Freeman's (2003) stakeholder model, NGOs and environmentalists could best be served by means of sponsorship, strategic alliances and cooperation. The organisation could benefit from the endorsement of the NGO, which itself would in return receive funding and/or other forms of support. This would also add to the company's ethical policies' credibility and perhaps acceptability, reducing accusations of 'greenwashing'. The power and scope of influence of some NGOs should not be under-estimated.

Lobbying is a tried and tested means of communicating with governments with varying degrees of success. However, a close relationship with a central government that is not seen in an ethical light (many are usually not, anyway), can only harm any attempts by

that company to be viewed as socially responsible. In fact it would have completely the opposite effect. On the other hand, putting pressure on the government, for instance, to offer environmentally sound and/or ethical legislation, would indeed have the desired impact.

It is in the firm's interest to have as many friends and allies in the media as possible. The media can make or break a company. A study by Kjaergaard et al. (2011) highlights the intensity of positive coverage that almost turns a company into a 'celebrity' which can influence its internal as well as external customers. They term these as 'sense making' and 'self-enhancement' effects. The authors cite Rindova, et al. (2006) and write: '...it has recently been observed how, through intense and dramatized coverage, media play a central role in the construction of "celebrity firms" defined as business organisations that subsequently attract a high level of public attention, and generate positive emotional responses from stakeholder audiences' (p. 510). The important caveat here is the choice of the media. The 'wrong' newspaper or TV station, for instance, would most certainly be counter-productive to any ethical initiative of the firm.

Customers as stakeholders are perhaps as difficult as, if not more so, than the media. A wider variety of marketing communications tools can be used to communicate with the customer. Marketing communications books recommend word of mouth advertising for being free and effective. That said, satisfied customers may share their delight with two or three people while a dissatisfied one may communicate their unhappiness to a much higher number.

Although some companies take on the role of ethical educators of their customers, Sandbu (*Financial Times*, 2 May 2011) writes that: 'the most ineffective goal one could set is to teach people to be good'. However, this does not mean that customer behaviour cannot be influenced by means of using a variety of messages, conveyed by credible opinion formers for this purpose.

With respect to communities, cause-related marketing, sponsorship and PR could be employed to have the desired effect. However, this will depend on the existing reputation and image of the organisation as well as the nature of its operations and activities. For one engaged in the so called 'sin industries', such as tobacco, weapons, and so on, this will be an extremely difficult

goal to achieve; that said, there is no reason why such companies, for instance, could not have environmental and green policies. It is again the question of the strategic fit; when a UK university accepts funding from British American Tobacco (BAT), how will this be viewed by the general public? The extra money is most certainly welcome; however, what does BAT expect in return for their donation?

Employees can be communicated with regarding company ethical policies and initiatives via a variety of channels, using marketing communications tools. Internal marketing would undoubtedly be expected to play a major role in this process. Indeed, some of the organisation's ethical ideas could emanate from the employees who would then have realistic 'ownership' of such policies and strive to implement them, as opposed to those almost imposed by senior management. A company could even have an ethical champion where, in addition to recognition, he/she could be rewarded for their efforts.

As far as suppliers and financiers are concerned, regular and personal communications tend to be crucial to the creation and maintenance of a mutually beneficial relationship. Some suppliers might hold a strong position in the market place, therefore they should be treated with a great deal of diplomacy and tact. As for financiers, they tend to have a dominant role in such relationships, and at times company survival might depend on their cooperation. In such circumstances Key Account Management (KAM) should be part of the marketing communications strategy. A supplier working with a company renowned for its ethical endeavours might use this relationship to improve its own corporate image and reputation. The same might apply to financiers. Needless to say this effect could also be reciprocal, for example a firm dealing with an ethical bank could highlight that fact in its communications with stakeholders.

Finally, with regard to critics, again much will depend on their sphere of influence, nature of their business (NGOs, politicians, journalists, etc.) and the gap that exists between their ideology and what they perceive to be that of the organisation. One strategy that no organisation should adopt is that of ignoring its critics. Communication between the two parties might help dispel some existing myths and misconceptions, perhaps even ultimately leading to cooperation between the two.

Planning marketing communications

Smith and Taylor (2004) offer a simple planning system called SOSTAC which can be applied to any marketing communications campaign. Below is a list of its constituent parts:

Situation analysis
Objectives
Strategies
Tactics
Action
Control
(Smith and Taylor, 2004: p. 32)

Marketing communications strategies

Amongst the wide variety of marketing communications strategies, the Chartered Institute of Marketing (CIM, 2006) suggests the so called 3Ps, namely **P**ull, **P**ush and **P**rofile. Pull strategies are targeted at the end user and aim to attract customer attention, while the push based strategies aim to impact on the members of the marketing channels, that is the intermediaries and links in the distribution channels. However, the last P is perhaps the most appropriate for this chapter. Profile strategies, again according to the CIM (2006: p. 126), '…aim to influence the way the organisation, as a whole, is perceived by either a small or large range of stakeholders. These strategies serve to develop the visibility and credibility of an organisation…'.

Marketing communications (MarComs) tools and ethics

The impact, practicality, cost, control and effectiveness of marketing communications tools can be analysed. The one MarCom that is globally recognised and used is advertising. That said, public relations can also be employed for the purpose of conveying an ethical image and/or maintaining it. Below, advertising will be discussed in relation to its application to communicating company ethical image, and so on.

Advertising

As defined by the American Marketing Association, advertising is 'any paid form of non-personal presentation and promotion of ideas,

goods or services by an identifiable sponsor'. C.P. Snow in a 1936 BBC broadcast commented (Nevett, 1982: p. 161): 'I see modern advertising as an attempt to impel people to buy what, if it were not for the advertisement, they would never think of buying. Advertising begins by taking our money and ends by depriving us of our freedom'. It would be interesting to know what he might have said of 21st-century advertising. Over 60 years later, Jackie Ashley wrote in the *Guardian* newspaper (15 February, 2010) in a similar vein:

> we are bombarded by images trying to make us buy through the course of the day – on mobile phones, computer screens, billboards, at bus stops, on flashing screens in railway stations and public transport. Then as we slump in front of television at night, there are plenty more … We are more brand driven, more advertised to than ever. We are also unhappy, indebted and extremely wasteful; and the two things may be connected.

Advertising as the most visible communications tool is continuously blamed for a number of problems that might include issues such as child obesity (see Kitchen et al. 2004), or simply for being pervasive, intrusive and pernicious (Laczniak and Laczniak, 1985). However, Schroeder and Borgerson (2005: p. 2) assert that 'ethically motivated criticisms of marketing communications are often simplistically understood as generalised critiques of capitalism and related excessive consumption'. Fan (2005), while remarking on advertising being the most visible element of marketing, suggests that it is branding that is at the heart of any marketing communications, citing Benetton's controversial 1990s advertising campaigns.

Hackley (1999: p. 37), further comments: 'advertising presents special difficulties for business ethicists. Ads are trivial entertainments, yet advertising culture has been held up as a metaphor for a general moral degradation in the post-modern epoch. Ads confuse us since they are a new and unfamiliar form of communicative discourse which we find difficult to place in an ethical category'. Since advertising has traditionally been used to communicate with mass audiences, as far as ethics-related communications are concerned, it would be more logical to employ advertising as a supporting activity to (other) major tool/s.

Public Relations (PR)

'The history of PR is … a history of a battle for what is reality and how people will see and understand reality' (Ewen, 2003). PR as a major marketing communications tool can be employed to convey an organisation's ethical policies to its stakeholders. There are two basic requirements for effective PR: contact and convince. An organisation must ensure that it can effectively communicate with a host of audiences and at the same time convince them of its commitment to ethics/CSR. Grunig and Hunt (1984) suggest four models of PR as follows:

1. Press Agentry/Publicity – one way communications; used mainly for propaganda purposes; not completely truthful information is disseminated.
2. Public Information – PR disseminates information, however, not necessarily in a persuasive manner. One way communication by a specialist such as a 'journalist in residence'. Unlike the above, a complete picture of the organisation is provided.
3. Two-way Asymmetric – aka 'scientific persuasion'; social science theories and research into attitudes and so on are used to persuade stakeholders to embrace the company's way of thinking. The ultimate aim is the maximum change in attitudes and behaviour. Although, as a two-way communication process is involved, feedback from the stakeholders does not alter the organisation's views, it is rather used to improve future messages.
4. Two-way Symmetric – PR acts as a mediator between the organisation and its stakeholders or public. It strives to facilitate mutual understanding and enhance relationships. It is also viewed as a dialogue and not a monologue. Ideally both parties might be open to persuasion by the other to alter attitudes and perceptions. Indeed stakeholders may be in a position to change the organisation's attitudes and/or behaviour.

Depending on which one of the above an organisation applies to communicate its ethical policies, its ability to convince the stakeholders and be seen as credible and reliable will vary significantly from one model to another. Ideally the last model should be recommended due to its obvious benefits.

More recent additions to PR models may also refer to concepts such as 'astroturf campaigns'. Lyon and Maxwell (2004) refer to

astroturfing as lobbying behaviour in which a 'firm covertly subsidizes a group with similar views to lobby when it normally would not'. These campaigns aim to create the impression of grassroots support for, or opposition to, a given project. Occasionally PR firms may organise discontented workers or sections of the public to vent their anger on environmentalists or particular legislation that the client wishes derailed.

It is envisaged that, as part of coordinated and integrated marketing communications aimed at transmitting company ethical policies to stakeholders, a number of such tools would be expected to be used in order to have the desired effect. The choice of the tool and the channel, as highlighted earlier, depends to a large extent on the stakeholder type, their current perception of the organisation and especially its ethical stance (if any), and the size of existing gap between the firm and the stakeholder group. The larger the gap, the harder the company will be expected to work to minimise it. The company will come across sleeping giants, power traders, and so forth, and for each group appropriate strategies should be formulated and implemented. The success or failure of the transmission and comprehension of the message must be monitored at regular intervals and appropriate remedial action taken.

Conclusion

Marketing is a misunderstood and much maligned discipline which is held responsible for a number of societal ills. Perhaps the closest discipline treated with similar suspicion is finance/accounting. That said, marketing has the potential to contribute to an organisation's success and this is reflected in the expenditure on marketing within companies worldwide. However, it is not merely marketing that can assist an organisation by itself, but the major constituent parts when effectively coordinated and applied to achieve maximum synergy. For overall marketing success, it is crucial to pay attention to all the components, ensuring that they all convey the same message with clarity, consistency, honesty and accuracy. A wonderful product offered at a reasonable price at convenient outlets that has not been promoted and communicated to the target market and/audience will not ultimately translate into a success story for the firm producing it. In the same manner, the various components and tools of marketing

communications that might be employed for ethical purposes must all be considered for individual contribution to the overall impact of the message and the anticipated synergy generated as a result of the coordination and integration efforts.

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2

Responsible communications agencies: key success factors

Aude Badran

Introduction

According to a study made during the Earth University, an international agricultural research institution in October 2008, 62 per cent of multinational companies have integrated an environmental or ethical parameter in their marketing communications because they want to improve their image, 62 per cent were forced to do it for regulation needs, 59 per cent decided to do it because of a strong and determined manager's conviction, 55 per cent in order to answer growing customer demand and, finally, 44 per cent as a competitive strategy (Audouin, A. et al., 2009). Moreover, consumers now increasingly emphasise facets of Corporate Social Responsibility (CSR) as important factors in their purchasing decisions (Dawkins and Lewis, 2003).

In this context, the UNEP (the United Nations Environment Programme) insists on the important role of advertising and communications agencies that are a key link between manufacturing enterprises and consumers. In fact, communication agencies have an internal role to sensitise their own stakeholders about the sustainability objectives of their companies and to provide assistance in reporting on environmental and social performance. Moreover, as communication agencies play a key role by informing consumers about product quality and performance through their core activity, they have the power to create real change by providing better insight on sustainability challenges and the way these challenges can be addressed. Hence, several publications such as the creation

of international charters or CSR good practice guides aim to enable communication agencies to develop their own sustainable policies and strategies (UNEP, 2003). Finally, even if marketing and, more precisely, the communication sector, are still perceived as antagonistic when they meet ethical and/or sustainable development issues, more and more communication agencies understand the issue of CSR and are now starting to integrate it as an objective of development. There can be no doubt that ethical practices also come under the umbrella of CSR.

There has been very little research done among 'responsible' communications agencies. This lack might stem from the fact that 'oddly … with a few notable exceptions, the communications sector has been slow to catch on' (EACA, 2009). For instance, only one corporate network of communication agencies (WPP) has recently published its first CSR annual report. Paradoxically, when searching in Google for 'green communication agencies', results show a large number of self-described 'green', 'sustainable' or 'responsible' agencies. Thus, if annual reports are scarce in the field, then on what basis do these agencies prove their sustainable activity engagement? On what do green communication agencies rely to prove their CSR assertions? To be sure, there are more and more guides or codes of ethics publications from associations such as EACA (European Association of Communications Agencies), AACC (Association des Agences Conseils en Communication) or APACOM (Association des Professionnels Aquitains de la Communication).

The aim of this chapter was to find out the key success factors (KSF) of the integration of ethics and CSR among so called responsible communication agencies.

Literature review

The CSR concept is defined by Perrini, P. et al. (2006) as 'the voluntary integration of economic, social and environmental objectives in the relationship with company stakeholder networks'. Moreover, the authors add that these objectives are integrated into the corporate identity through a shift in the fundamental principles at the core of corporate actions. Hence, the authors point out that CSR is applied throughout the entire value chain and all the company's functions. The incorporation of ethics in this definition is implicit, as one can

hardly deny that social and environmental objectives benefit stake-holders. Carroll (1996) reinforces this transverse concept through her 'Four-part model of CSR highlighting four types of responsibility: philanthropic, ethical, legal and economic' linked with societal expectations.

Moreover, a business case for CSR argues that companies that embrace the 'triple Bottom Line' (TBL) approach promote environmental and social interests and sustainability (Alves, 2009) which can be related to the 'environmental communication' concept.

Performance indicators to communicate about CSR

As 'many companies have found that committing to an annual report could help to drive internal processes and to identify areas where management systems were weak or non-existent' (EACA), finding relevant indicators is an important step for any company that wants to integrate a CSR approach. Moreover, social reports are the main channel for communicating the social and environmental effect of organizations (Gray et al., 1996).

It is important to recall that it is the role of communication agencies or consultancies to assist companies to communicate with reliability, accuracy and transparency about their economic, social and environmental practices. Fallacious reports and greenwashing have led to public polemics about the credibility of many organizations.

The role of communication in CSR processes

According to some authors, today it is more important than ever for companies to be perceived as transparent, socially and environmentally responsible through the integration of corporate reputation of social commitment (Hooghiemstra, 2000; Maignan and Ferrell, 2004; Morsing and Beckmann, 2006; Fombrun and van Riel, 2003).

For instance, the findings of a Danish study from Morsing, M. et al. (2008) shows that the most essential components a company should communicate on, in order to be perceived as socially responsible by the public, lies on three main issues: treatment of employees, risk associated when using a product and treatment of the environment. Moreover, a quantitative research made among media practitioners in the UK showed that the five key components to CSR were to communicate on good corporate citizenship, the way the business is run, environmental practices, the organizations involved in the

development of their communities and the fact of operating in an ethical manner (Tench, R. et al., 2007).

According to the Morsing, M. et al. (2008) study in Denmark, citizens said that they expect companies to communicate about their CSR practices by publicizing them through corporate advertising and public releases or by standard releases such as annual reports and on websites.

In fact, even though Chartered Certified Accountants (2004) showed that 1,500 companies published sustainability reports that were either printed or electronic in 2004, the reports were not prepared by corporate communication professionals, such as responsible communication agencies or external audit committees that had technical knowledge on these issues. In fact, the lack of real internal or external expertise generates some issues that every organization publishing its performance indicators needs to be aware of.

CSR and ethical issues

Even though the growing expectation of companies to communicate their responsible and socially behaviour has become compulsory, three main issues need to be thoroughly examined. The first relies on the environmental and eco-friendly allegations of so called 'greenwashing' if communication is wrongly used, the second resides in the consumer's increasing scepticism regarding an increasing green facade, and the third but not the least is the way information directed to different groups of stakeholders needs to be overlapped.

The first limit to CSR communication: the greenwashing issue

Regarding the current market context, one could state that the apparition of greenwashing has been fostered by a tempting environmental context. In fact, according to Futerra agency's green guide, 'so-called ethical spending in the UK has jumped by 81% since 2002'. Moreover 'Green has gone from the smallest of niches to a very desirable market all set to grow as money is to be made, which is the greatest temptation of all'.

Futerra Sustainable Communications agency's Greenwash Guide defines greenwashing as 'the disinformation disseminated by an organization which misleads the public by stressing the environmental credentials of a person, company or product when these are

unfounded or irrelevant' (Futerra). Meanwhile, the greenwashing issue isn't only based on non-credible environmental associations. In fact, in 1997, the well-known ecologic association Greenpeace determined a 'detection kit' based on four criteria enabling detection of the practice of greenwashing among organizations (Laville, 2009). In fact, if a company publicly claims its environmental engagement and conversely follows actions of lobbying against regulations aiming to decrease the environmental impacts of its industry's activities, this is considered a form of greenwashing too. This highlights the fact that greenwashing isn't only based on false environmental allegations but can be found in more subtle behaviours undertaken by so-called responsible organizations.

An increasing awareness of the green consumer

According to Gabriel, Y. and Lang, T. (2006), 'there is a tradition of consumer activism in many different countries'. Moreover, Heath and Douglas (1990) state that 'consumers become active and that their involvement increases when a particular problem or issue is important to them'. Therefore, consumer pressure can take different forms such as shareholder activism, consumer boycotts, and adverse publicity in the media (Smith, 1998).

   Auger, Devinney and Louviere (2004) found 'growing consumer awareness and expectations in relation to environmental degradation, climate change, and pervasiveness and power of multinational enterprises'. Consequently, the proliferation of unsubstantiated ethical claims by some companies has resulted in increasing consumer cynicism and distrust (Acikdilli, G. and Jahdi, K.S., 2009).

CSR and ethics communication to stakeholders

A stakeholder is defined as 'any group or individual who can affect or is affected by the achievement of the firm's objectives' (Freeman, 1984) and it is suggested that there is a need for integrated approaches for dealing with multiple stakeholders on multiple issues. Carroll (1996) brings more detail to this definition by naming the different bottom line stakeholders who she identifies as: owner stakeholders, consumer stakeholders, employee stakeholders, community stakeholders and other stakeholders. Furthermore, Maignan and Ferrell (2004) add that stakeholders are motivated to participate in organizational activities by various and sometimes incongruent interests.

Therefore, 'stakeholder theory describes a business as an open and flexible system made up of diverse actors and active in a network of relationships with various other actors' (Maignan and Ferrell, 2004).

Thus, we assume that the importance of engaging stakeholders in long-term value creation has to depend on developing a long term mutual relationship which encompasses optimal models of information exchange between the organization and its stakeholders.

In fact, Morsing, M. et al. (2008) argue that the most relevant stakeholder audience to first communicate with is the 'experts' who are composed of actors such as politicians, local authorities, the media, investors and critical interest groups considerate as 'elite readers of corporate CSR messages'. Addressing CSR communication to this first target audience will enable the company to achieve 'a favorable CSR reputation'. However, only addressing communication to a small exclusive group of experts isn't enough; this is when the second key group comes in representing third party endorsement. These 'endorsers' are customers and the general public. Finally, the authors insist on the fact that these two processes of communication are interdependent and companies target both to build a good reputation.

CSR integration within the communications sector

The joint venture of the business of marketing and CSR is often perceived as an impossible marriage. In fact, marketing is a discipline that provokes much debate, as it is perceived 'more than other management with a great deal of cynicism and suspicion when it attempts to convey a more socially responsible image' (Nantel and Weeks, 1996). Consequently, the phrase 'green marketing' has been adopted by the communication sector in a serious CSR integration process by means of 'eco-conceived campaigns' or 'responsible communication' that some agencies even highlight as a particular expertise to their clients.

Definition of two emerging concepts: the responsibility of a message and the eco-design of a campaign

Regarding the 'responsible communication' concept, AdWiser, a French action group composed of communication professionals aiming to

reconcile communication and sustainable development, defines responsible communication as 'a communication which evaluates, manages and handles in a responsible way the environmental, social and societal consequences of the elaborated messages and their meaning' (Adwiser, 2007). For instance, the following question is directly linked to this notion 'Does the company/agency have a policy for ethical and moral standards for advertising, especially advertising to children?' (Green Guide).

Guidance and international principles and codes of ethics

Today, communication agencies benefit from good practice guides and codes of ethics devoted to their core activity to start thinking about their message's responsibility or their eco-designed campaign. For instance in France, free online publications such as 'Com'Avenir premiers pas vers la Com'durable' or the possibility of signing up to codes of ethics such as APACOM's (Association des Professionnels Aquitains de la Communication) or the AACC (Association des Agences Conseil Communications), are the main initiatives currently undertaken. These joint works are produced by l'ADEME (Agence de l'Environnement et de la Maitrise de l'Energie) with the French associations of communication agencies such as l'APACOM, which is the most active organization among groups working on CSR according to the AACC.

In the UK, free online publications devoted to communication agencies are also available on the EACA (European Association of Communication Agencies) website.

Therefore, at this stage one can say that French and English agencies possess similar guidance for relevant and accurate CSR integration; hence it would be interesting to see if their integration is similar in practice. Meanwhile, apart from this guidance, which is more than strictly informative but helpful for agencies to integrate CSR thoroughly, a range of codes of ethics and principles are available.

Qualitative analysis

One of the objectives of exploratory research is to provide insights and to understand the nature of a marketing phenomenon. For

instance, it can be used to identify and explore concepts in the development of new forms of marketing communications and build a model(Malhotra and Birks, 2007). In line with this statement, Miles, M.B. and Huberman, A.M. (1994) confirm that qualitative studies are often mounted to explore a new area and to build, or 'emerge', a theory about it.

Hence, exploratory research appears to be the most relevant method according to this chapter's aims and objectives.

Sampling

The first selection of the sample was made through a non-random Internet based research, and then was discussed and confirmed during a meeting with 'Des enjeux et des hommes' a well known CSR consultancy in the communication sector and the authors of 'La Communication Responsable', a reference for CSR integration in the communication sector.

Consequently, the agencies were contacted both in French and in English by email in a transparent way, explaining the purpose of research, how their contribution could lead to the creation of a CSR reporting grid in the communication field, and the possibility of sharing the results.

Topic guide structure and research interviews

A semi-structured topic guide divided into three main themes and subdivided into a set of questions based on the key literature findings was administered.

Regarding the topic guide's administration, the interviews were conducted by Skype's video-conferencing software.

Framework analysis as an analytical tool

'A data display involves summarizing and presenting the structure that is seen in collected qualitative data, more precisely, it summarises all the interviews that may be conducted' (Malhotra and Birks, 2007). More precisely, according to Miles, M.B. and Huberman, A.M. (1994) 'the idea of a display means providing a visual format that presents information (i.e. unreduced text in a multi form ways such as written up field notes, quotations or schemes) systematically so the researcher can draw valid conclusions and take needed actions'.

Qualitative research and ethics

As mentioned earlier, the purposes of the research were not disguised. Moreover, confidentiality and utilization of research findings were proposed in order to gain entry to these CSR communication agencies in a respectful way.

As digital recording was used as a support in order to help summarise data, the respondent was asked for consent before the interview. As this research involved collecting data and internal sources from professionals, the issue of confidentiality was important. Thus, if the interviewees did not want to be quoted, a guarantee of confidentiality of the information and anonymity of the respondent was mentioned at the very beginning in order to increase the reliability and truthfulness of the respondent's inputs.

Preliminary results

As mentioned before, the sampling was based on a non-random individual Internet selection added to by research within some reports such as 'Le Collectif AdWiser', which lists agencies well-advanced in CSR. A set of 25 communication agencies were selected on the basis of the transparent CSR claims they communicate through their websites.

In the end, eight French and two English responsible communication agencies agreed to participate. This sample was interesting as it was composed of three categories of communication agencies: SME independent agencies, independent group agencies and branch agencies. Consequently, the decision to include them was justified.

The interviewees included Sustainable Development Managers (5), Founders (2), and one each of Financial Director, CEO and Head of Strategy, and all of them could answer most of the questions. It is important to note that, during all the Skype phone interviews, all the respondents agreed to be recorded and to be quoted which is some proof of the transparency of their actions.

Thoughts and rationale for a late integration of CSR reporting

According to The AdWiser Collective report (2007), the communication field has been the last to integrate a CSR approach. Hence, the question relating to late integration of CSR was asked of the ten

Table 2.1   Participating agencies

Agencies	Independent SMEs	Independent group	Branch of multinational
France	Beautiful Monday Inoxia ICOM Jump France	Le Public Systeme	Ogilvy France TBWA Production
UK	Futerra		Clownfish

agencies interviewed and all of them agreed with the statement that advertising and communications agencies have been among the last to undertake CSR reporting. According to them, the reason why this integration was late resides in three main explanations.

The first is relative to the message's responsibility. In fact, according to SD manager of Inoxia 'The communication sector may be late compared to other sectors because of the complex aspect of responsibility within the messages which are hard to apply'. In line with this statement, the Head of Strategy in the Futerra agency adds that 'Even though the agencies understood the societal impacts of the message quite early, it is still complex to measure'.

The second reason why CSR integration was late is because, unlike for big companies, there are no state obligations for small companies to report on their environmental impact, which is generally lower. In fact, as the strategic leader of Ogilvy stated 'The agencies engaged late because the communication sector doesn't form part of those companies which are perceived to have a major impact on the environment'.

The third reason comes from the fact that SD and the communication discipline are perceived as antagonistic. In fact, the CEO of Le-Public-Systeme explained that 'the communication sector is part of sustainable development's second wave probably because it was first considered as an antagonism'. Therefore, even though all the actors agree about the delay of this important stake in the communication sector, they all argue that today, massive measures are being taken to catch up.

CSR integration, a competitive advantage?

When asked if integrating CSR and declaring themselves to be responsible communications agencies provided any competitive

advantage, the ten interviewees identified two main advantages compared to traditional communication agencies: a market recognition for a real expertise which brought an increase in specific clients, and alliances with new suppliers/providers known for their responsible products, such as printers.

Moreover, if this integration brings a competitive advantage compared to traditional communication agencies which still don't engage in a CSR step, The CEO of Le Public Systeme insists on the fact that this responsible engagement is undertaken by the responsible agencies in a collective way: 'CSR is a collective topic that is shared by all the actors of the communication sector. We work with our direct competitors, the ones which propose the same offer and follow the same process, on these questions and try to progress together to find good solutions, moreover, it appears to be a business leverage for all of us'.

Standards and code of ethics

In order to endorse its engagement, it would be legitimate for an organization such as a communication agency to provide proof by adhesion to national and/or international codes of ethics.

Regarding the certifications, we can observe that half of the agencies, and mostly the small and independent ones, usually follow the AFAQ 1000 NR, which provides a four-step process highlighting the level of CSR integration for each step. The organizations which follow this certification have today achieved the second step, meaning they are on their way to finalizing the indicators to measure their triple bottom line responsibility. In fact, Inoxia stated that 'facing a recent trend where most of the communication sector's actors abusively claim their CSR integration, Inoxia wants to strengthen its pioneer and genuine position through the AFAQ 1000 NR standard in order to reinforce the application it has undertaken since 2003'. Moreover, six of the agencies follow the ISO 26000 guidance for communication agencies. This shows a strong motivation to ensure a genuine progression in ethical engagement.

Codes of ethics

Regarding the codes of ethics and CSR engagement, the Global Compact is the one most of the agencies signed up to because of

belief and respect in its principles. The formal codes which have been adopted by the agencies are the following:

Global Compact
Charte de la Diversité
Comité 21
ANAé
AACC
Com'Avenir
Charte de l'OREE

Moreover, at least one national code is generally signed by each agency. This confirms the responsible goodwill and good intentions of the communications agencies.

Stakeholders and communications

All the SME and independent agencies stated that they have no problem with external stakeholders because they are on the same side and the agencies are not big enough to make any noticeable impacts on the environment that could anger certain environmental groups. In line with this statement, the interviewee from Ogilvy adds that 'we are frequently in contact with people from Greenpeace and discuss our actions which are more important than words'.

Consequently, two-way communication is not just an unreachable ideal, as agencies truly engage themselves in an informal and natural dialogue with their stakeholders and not just with their clients.

CSR reporting

It was interesting to discover that half the agencies were on their way to publishing a CSR report soon. Of the agencies who are preparing to publish, two independent and small agencies, Icom and Futerra, said it was an ongoing project that was still internal for the moment.

No ongoing formalised CSR report

Regarding the agencies that didn't engage in this report, the reasons are varied. Even though those that are members of an international group

still take independent decisions, they generally follow the mother company's lead. In fact, Verde Nieto, founder of the agency Clownfish, argues that 'as we now belong to Aegis group, we can't act independently according to certification. This means that if the group engages it, we will be able to follow but we can't do it independently'.

Therefore, the results are satisfying as they show that all the agencies are thinking of CSR reporting even if they aren't following a regulatory process which imposes a measurement grid.

Moreover, the adhesion to some national or international code of ethics or principles can be a good track. The most important proof probably resides in the hidden part of the iceberg, which means the internal integration of CSR within the heart of the organization. In fact, CSR committees and internal codes of ethics appear to guarantee a real engagement in CSR, as they are directed to the employees first, who are an important group of stakeholders to the agencies.

The message of responsibility

Regarding the communication sector, as the environmental footprint of the agencies is still low compared to other sectors, the message of responsibility is at the heart of the CSR approach within communication organizations. Therefore, the interviewer chose to ask the respondents about their beliefs about CSR in order to seek trends and see if they were shared by all the agencies whatever their CSR integration level was. Obviously, this issue is today at the heart of the work of communication agencies. In fact, this question generated a strong reaction, but all the agencies agreed on three main points: it is the biggest issue for the sector, it has strong impacts and these are often negative ones on the public but, on top of that, it is unfortunately a complex issue to measure. In fact, to quote Mr. Gancille from Inoxia 'The responsibility of the messages is the biggest issue of the communication field and paradoxically, the one on which there is the least expertise (…) In fact, it is very complex for our creative department to take into consideration the creative aspect of a message while considering it with relevance and respect to ethics'. In this vein, Mr. Willans from Futerra adds that 'the message's responsibility is essential as it is a "brain print" and as it is one of the direct impacts of our work as communication agencies. It must

be ethical in every sense and that's what we do to change things for the better'. Besides, according to agencies that produce a significant amount of TV advertising, such as Le Public Systeme, Mr. Desveaux explains that 'As the aim of a TV campaign is to create a high awareness quickly with a lot of money, it is hard to make people believe that we can be responsible. Moreover, it's for this reason that we have to prove that we are'.

The eco-design of a campaign

This last part of the research measured the thoughts and attitudes of the agencies toward environmentally responsible campaigns based on their integration of a low-impact lifecycle, the nature of their providers, and the way they measure their environmental impacts in TV, print, web and event campaigns. One hundred per cent of the agencies systematically propose a campaign's carbon assessment to their clients.

All of the agencies also work with paper providers that are certified responsible, such as PCF-PEFC or IMPRIM'vert. Downstream, the agencies that recycle engage the organization called Elise, which is known for its responsible recycling process of paper and for hiring disadvantaged workers. Even though the product's lifecycle is mainly regarded upstream with a high emphasis on paper, some agencies, such as Icom, train and motivate other providers to engage in a responsible certification approach.

However, we can observe that the SMEs and independent agencies are more advanced in the eco-design of their campaigns. In fact, two of them apply a responsible lifecycle at each stage of it. Here again, in addition to the holistic and measuring indicators criteria, the size of an agency seems to influence the CSR integration.

Limits and key success factors of a CSR approach

The respondents from each responsible agency were asked to define what they considered key success factors in relation to integrating CSR into their activities.

For six of the respondents, leadership conviction is the main driver behind success in integration of CSR. For three of the agencies, the second KSF is relative to both the employees' motivation

and the financial possibilities of coping with an expensive process. In fact, employees still remain one of the most important stakeholder groups, and these answers correlate with the previous results. Meanwhile, as such a process is still ongoing for the majority of communication agencies, the researcher wanted to have an idea of the limitations encountered by the respondents and see if they are in line with previous results of the implementation.

Three main limitations resulted from this question. The first issue is relative to the complexity of the concepts which reside in social responsibility. This issue has been voluntarily mentioned by the respondents several times. The second issue, in line with the key success factors, regards employees who are somewhat sceptical and reluctant to engage in the CSR process because, for instance in the production area, it is still perceived as a barrier to their creativity.

Finally, as highlighted by several agencies, CSR integration is not only expensive but also time consuming, and this is the reason why CSR reports are still not popular with all the communication agencies.

Conclusion and discussion

Above all, it is important to highlight the fact that the researcher based the framework and themes of analysis on the literature review. Therefore, the results encountered aimed to verify if the so called responsible agencies were really aware of all the components and issues relative to CSR and if they were adapting these to their core activity internally by means of a stakeholder and certification perspective, and externally within their commercial offerings.

In fact, according to these results, there are four main key success factors for achieving successful CSR integration. Moreover, the research shows that communication agencies could truly behave and think responsibly. Therefore, green communication organizations are not a myth but a reality.

First, if a responsible communication agency considers all its stakeholders through knowing them and communicating with them on a frequent basis, this can be a first key success factor. In fact, as we saw previously, the first stakeholders to take into consideration are the employees, and we discovered that they were not only a KSF for the agencies but also 'the only human factor that was uncontrollable'. Therefore, the responsible communication agencies pay a lot of

attention to them through training or ethical sensitization. Regarding the external stakeholders, we saw that the interviewed agencies operate a two-way communication model in different kinds of situations. We saw that the group agencies were even relying on external expertise to follow the rules of a genuine relationship with NGOs or activists. The independent or group agencies, which are more under pressure, genuinely foster good relations based on trust and reciprocity, which wouldn't be the case if they weren't acting responsibly.

Second, we saw that all the agencies were at the least engaging themselves in codes, principles and, more deeply, in heavy certification processes. This willingness to publicaly highlight responsible convictions is not only a matter of communication but, in the case of ongoing certification, a real time- and money-consuming process which wouldn't be carried out by agencies that had only superficial convictions toward CSR. Therefore, these external codes, when integrated within all kind of agencies, demonstrate a will to endorse a responsible approach and are an incentive to achieving high recognition for their work.

Third, CSR reporting is a real but difficult key success factor to operate. In fact, as we have seen, none of these agencies had yet formalised and published a CSR report, albeit that most of those further advanced in CSR integration were on their way to publish it soon.

Moreover, it was remarkable to find that the most advanced in this specific point are mainly SMEs, which usually encounter financial constraints through knowing that their specialization in CSR still doesn't bring as much recognition as expected. In fact, the interested clients and market are still slowly increasing and these agencies believe in their work and want to prove that their internal efforts are in line with their commercial offering.

Fourth, but not least, this research highlights that the two main issues relative to this sector, message responsibility and eco-conception of the campaigns, are at the heart of the agencies' thinking and their competitive distinction. In fact, these issues are complex to manage as the former is intangible and the latter can't be applied to every product regarding the advance of the sector compared to its providers.

Therefore, regarding the analysis, we can state that the communication sector is no longer late to the game but has conversely so considerably caught up to now be ahead in comparison to its clients and the communication market.

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3
How Web 2.0 will save CSR

Fabrice Mauleon

Introduction

Corporate social responsibility (CSR), encompassing business ethics as well, was at first an act of patronage, with many corporations paying lip service to the notion. But today it has become a tool for risk prevention cleverly wrapped in a message, sometimes green or humanist and often full of good feelings. However, this imperative of society must now become an incentive to invent new models of communications among stakeholders. Indeed, one can expect that CSR will become the new paradigm of sustainable business management tomorrow. Innovative companies have already understood this; those who confuse it with a simple marketing tool should anticipate difficult times.

This fundamental enterprise change from business-as-usual in developed countries is accelerated by the fact that now all members of society – and not only regulators – call upon businesses to demonstrate 'best practices' in setting social, environmental and financial standards. This movement is no longer limited to developed countries but is being relayed to emerging economies where recent growth must not come at the expense of sustainable living conditions.

Thus, the precepts of CSR and sustainable development cannot be reduced to one more fight against global warming or the quest for clean energy future. Development may be said to be a story of overall confidence: in people, primarily, and in their ability to overcome their individual resistance to change, and in consumers since they are at the forefront of demand for the supply of goods and services,

public and private. But it will also be a story of an economy featuring both low carbon/low environmental impact and creative solidarity in companies that need to change their business model at the margin, taking into account the costs imposed by climate change or the new global balance of competition.

Current responses, both individual and collective, vary. However, the magnitude of the change to be accomplished at the global level is such that there is no doubt that the coming decades will be the years for an operational capability for CSR and sustainable development. This implementation is now possible with the tools of Web 2.0.

Note: This chapter is part of a more complete explorative study (Mauléon and Gioani, 2010) dealing with CSR's future and its effectiveness in organisations and with members of civil society through the use of information and communication technologies (ICTs).

CSR currently at the centre of the enterprise's survival

Social responsibility was a term first coined by Bowen (1953) to describe the individual concerns of certain leaders who questioned the role of ethics and moral values in business. This management concept no longer needs to show its mettle. Nevertheless, it has now become such a 'trendy' phenomenon that many people still wonder if it's just a passing fad. Many managers also privately wonder this, and just practice a minimum compliance with the law when they have to account for the activity of their enterprise.

The aim of this chapter is not to recount the discovery of the current importance of CSR's implementation. Many authors have described this phenomenon, including the authors of this study, yet, it is only relatively new in French literature (Lépineux et al., 2010). To give a brief insight, the research carried out in France on CSR vacillates between two predominant stances as follows.

For some, social responsibility must be linked to the managers' awareness of the necessity of integrating extra-economic facts into their management decisions (Igalens and Joras, 2005). Corporate social responsibility is assimilated into one of the nuances of business ethics and would thus be its collective expression.

For others, social responsibility is an emanation of corporate governance. One needs to make the stakeholders' different points of

view compatible whilst adopting a kind of middle way. Responsible investment must guarantee a performance level at least equal to 'non-responsible' investment in the long term (Eurosif, 2003).

Beyond these debates, we consider in this chapter that corporate responsibility has evolved. Unfortunately, current affairs demonstrate the need to be aware of this, owing to the numerous uncertainties that are imposed on managers.

CSR, a means to deal with uncertainty

The current dissemination of CSR takes place in an unstable world, with no real guarantee that the financial crisis will end any time soon. Politicians are looking for new ways to govern, new organisation models and so on. In other words, they all question oracles to reveal a new paradigm that will enable them to remedy the current imbalance.

Indeed, the crisis has revealed a certain discrepancy. Where previously companies used to favour innovation and capital as the company's lifeblood in order to be competitive, this is no longer sufficient. Nowadays, global competitiveness along with sustainable management are both required (Mauléon, 2005).

Energy, for example, has now become an issue for current managers. On the one hand, global warming imposes the restriction of greenhouse gas emissions and, on the other hand, demographic and economic development are moving in the opposite direction, forecasting an acceleration in the scarcity of fossil fuels. The traditional companies which heretofore only had to choose from one of the energy providers for their business to run smoothly, are now having to develop their own supply source: Procter and Gamble, which produces consumer goods, has just launched its first wind turbine in the Netherlands. Google, which consumes a lot of electricity, has just acquired 37.5 per cent of the Trans-Elect capital shares, a company that will develop a set of offshore wind turbines along the US East coast.

Similarly, choosing a service provider once depended on simple economic factors, whereas today managers have to take shareholders, NGOs, states, regions, exchange rates, new taxes, regulations, markets, the cost of raw materials, social risks and so on into account. The concept has become alchemical and full of uncertainties.

The anxiety of CSR must be replaced 'in the context of contemporary social mutation, characterised by the dual phenomenon of

the economic globalization and IT and communication's boom. The combined effects of both these evolutions challenge social structures and traditional regulations' (Lépineux et al., 2010). Our next point will focus on these opportunities.

The need to rethink the enterprise and its environment

Intellectuals, economists, political scientists, philosophers and more, agree on the fact that, for it to be considered as sustainable, a company's performance must be considered according to a systematic approach, where different phenomena and activities are linked and form a complex system.

Our study, on the emergence of a CRS 2.0, also naturally leads to a functionalist questioning.

Indeed, numerous authors (Capron and Quairel-Lanoizellée, 2004; Elkington, 1997; Dubigeon, 2002; Férone, d'Arcimoles et al., 2001; Laville, 2002, Igalens and Joras, 2002; Boasson, 2002) have demonstrated that the enterprise has no real nature even though it may have a legal entity. One can therefore consider that it is, first and foremost, an organisation determined solely by a set of objective factors.

The study of these factors, through the encounter of a common vision of CRS and Web 2.0, lead us to question the evolution of the firm: is it becoming responsible or yet smarter, has it acquired a better use of modern tools in order to be accountable to its stakeholders? Do CSR and Web 2.0's joint steps improve or enhance a company's overall performance? This is clearly the CRS concept's objective .Yet, our first and foremost goal at this point is to highlight a shared vision in the name of a 'CRS 2.0'.

Therefore, it seems important to remind ourselves that 'sustainable management' (Mauléon, 2005) is a development procedure that implies a certain number of changes that a company has to make. Some of these changes may seem obvious, but they have to be combined for this new way of management to be efficient.

This is what a company needs to implement:

Open its temporal horizon towards the long term

Without being exclusively aimed at protecting the interests of future generations, it is actually demanded from organisations

that they adopt a strategy that is less 'short term' and more long term or at least medium term oriented. The concept of risk illustrates this need for change. Nowadays, we live in a 'risk society' (Beck, 2001) which no longer resembles anything that the actors of the industrial revolution of the nineteenth century could have imagined. Since Bhopal, Chernobyl and other disasters, it is widely accepted that enterprises are faced with new risks (chemical, industrial, alimentary, and so on) which require that they should spot as early as possible any proactive process likely to counter these new hazards.

Take into account its real spatial horizon

The phrase 'think globally to act locally' is now well known. It shows how important it is to no longer consider an enterprise as a single, isolated entity but as a local economic structure that cannot escape its local, regional, national and international environments. The strong mobilisation of enterprises at the 2002 United Nations Johannesburg World Summit on Sustainable Development perfectly illustrates this changing of the spatial horizon. The combined action of the World Business Council for Sustainable Development (WBCSD) and the International Chamber of Commerce (ICC) towards the creation of the Business Action for Sustainable Development (BASD) explains how sensitive enterprises are open to the sharing of all possible experiences of SD strategy implementation, including those at an international level. Sustainable management is a concept with an international dimension.

Integrate multi-partnership and interdisciplinary approaches

The notion of stakeholders is a significant example of this character. It currently occupies a central position as a management theory. It entails the activity of 'all groups or individuals that can affect (or be affected) by the realisation of the objectives of an organisation' (Freeman, 1984). It is the set of people interested in the good health of the organisation. It entails 'evaluating the economic, social and ethical effects of a decision on the society before taking such decision' (Mercier, 1999). An executive who understands that his organisation is being led by interests other than those of the management team and shareholders, must necessarily adopt a partnership and interdisciplinary approach.

Taking the specific characters of CSR and SD into consideration through the idea of 'sustainable management' enables managers to launch a global reflection in ways that are rarely used to deal with traditional management problems. This offers a better knowledge of the demands of the society with regards to the organisation. It emphasises the need to consider the potential risks of conflict that an organisation symbolises and makes the taking into account of 'sustainable management' a very dynamic strategic reflection because of its multiple stakes. A new type of management is necessary: global, international and transversal. This debate is not only focused on CSR but also concerns other academic discussions.

These questionings are crucial as they illustrate the numerous questions one may ask regarding the company's place in society. Similarly, researchers in the field of corporate governance ask such questions when they examine the control structure of the main managers and the means of reinforcing control. The research field may be different yet it shares, along with CRS's theme, the question of the implication of the stakeholders in the firm's functioning and the techniques necessary to improve the quality of this collaboration. These points are important for consolidating our research on the emergence of a collaborative CRS.

Therefore, authors such as Holmström and Roberts (1998) state that 'Firms are very complex mechanisms of coordination and of elicitation for individual activities'. Some years earlier, Holmström and Milgrom (1984) had already declared that the firm was a set of institutional agreements conceived to provide the necessary incitements to 'resolve the cooperation and coordination issues'. Modern research in governance has revealed that if we try to explain the borders of the firm, we must also take into account other external elements; such as the issue of knowledge and transfer of information (Charreaux, 2002). For Holmstrom and Roberts, the dual role of organisational knowledge and of the collaboration liable to create it is essential to determine the firm's borders. Yet, these questions were for many years rarely tackled: '… it is surprising that the leading economist theories of firm boundaries have paid almost no attention to the role of organizational knowledge' (1998). These currents of thought are studied by advocates of cognitive sciences applied to the firm, along with theories of organisational knowledge.

CSR 2.0 in the centre of the future development of the creation of company values

In addition to CSR, another element has truly modified the link between enterprises and their environment in a very visible manner: the Internet. Since the 1990s, the Internet and new information technologies have created a new corporation time and place problematic in the manner in which information is broadcasted. The World Wide Web entered a new development phase a couple of years ago. First referred to as the 'social web', due to its social aspect, it is the designation 'Web 2.0' that has now been accepted into usage.

Information technology has been undergoing a revolution of its users through the emergence of Web 2.0. This term was popularised by Tim O'Reilly in an article entitled 'What Is Web 2.0' (O'Reilly, 2005) in which he explains that Web 2.0 is, for the next generation of business models, the yardstick of successes as emblematic as Amazon, Google, Flickr and Facebook.

Two years later, O'Reilly offered a clearer and broader definition: 'Web 2.0 is a set of social trends, economic and technologic that forms the basis for the next Internet generation – a different and more mature medium characterised by user participation, openness and networking'(O'Reilly and Musser, 2007). A few figures summarise the revolution brought about by Web 2.0: if the radio took 38 years to garner 50 million users, Facebook has managed to build a network of 100 million users in just nine months.

Therefore, Web 2.0 is a new communication paradigm (Quoniam and Arnaud, 2010) in which we move from a logic of exchange of information to a logic of knowledge sharing through networking and individuals' participation. Three elements thus appear to be essential: the central role played by the individual, the emergence of new uses, and the implementation process of collective intelligence (Mauléon and Gioani, 2010).

The individual, the main actor of Web 2.0

Web 2.0, thanks to its tools and technologies, puts the individual at the heart of content production. We refer to it as 'User-Generated Content'. This content can take many forms – text, audio, video, image – and finds itself shared and distributed on exchange

platforms: YouTube for videos, Flickr for photos and MySpace for music, and blogs and wikis for any multimedia content. The Internet user, with Web 2.0, acquires a large capacity for content production and distribution. Thus, the fluidity and transparency of information are improved beyond the traditional media channels (television, press and radio). In short, Web 2.0 establishes the reign of the individual in the information society.

The power of the individual in the service of ethics is thus multiplied many times over when each voice is added to the thousands of others. Companies now regularly pay attention to the fact that their behaviour – both good and bad – is easily tracked and made public through the new tools available to stakeholders.

Emergence of new uses for Web 2.0

If Web 2.0 offers greater freedom of creation and content delivery, it also offers a set of tools to work with other users. Note that the collaborative dimension of certain tools is very pronounced. For example, the wiki (a collaborative writing tool used as part of Wikipedia, among others) and, to a lesser extent, blogging platforms, are ideally suited to co-branded content.

On the other hand, social networks, through the connections they generate, can create a network of relationships between users and offer the opportunity to create communities around areas of interest. Boyd and Ellison (2008) defined them as services that enable individuals to build a public or semi-public profile in a bounded system with the chance to manage a list of other users with whom they have a link and view and browse the connections of other members of the system. Thus they reinforce the social side of Web 2.0 to the extent that the relationship is established between users through a platform, which is conducive to dialogue, exchange or sharing of multimedia content among network members.

The collective intelligence to add value to the community 2.0

In addition, the tools of Web 2.0, beyond the new uses they bring, offer the opportunity to leverage collective intelligence (O'Reilly, 2005). Collective intelligence is defined by Pierre Levy (1997) as 'an

intelligence distributed throughout, constantly enhanced, coordinated in real time, leading to an effective mobilization of skills. It does not correspond to the sum of individual intelligences, although it is composed of them, but the intelligence of the working group'.

The implementation of the collective intelligence of Internet users through tools such as wikis therefore demonstrates how collaboration between users can produce a quality result, as reliable as the *Encyclopedia Britannica* and more frequently updated (Giles, 2005).

But this revolution is not just a technological one. These new uses of technology lead to a deeper trend that brings about a change of values and operation; modes, organizational, learning, decision-making (Quoniam and Arnaud, 2010): the work becomes collaborative, the hierarchies are flattened. Innovation, facilitated, opens up outside the company. The company itself becomes 2.0 (Mauléon and Gioani, 2010) and management trends – such as ethical behaviours – in firms are also affected.

The meeting of academic CSR with Web 2.0

The preceding developments have enabled us to confirm the importance of social responsibility for current managers but also to introduce the technological and managerial revolution initiated by the advent of Web Tools 2.0 in organisations. The combination of these two fundamental movements encourages the emergence of CSR 2.0, the result of the meeting of these two managerial revolutions.

CSR and Web 2.0 are two tilting and voluntary efforts on the part of the managers who implement them. This means that beyond legal obligations, they recognise that it is worthwhile for them to take paths that will allow them to get rid of old practices and engage in a transition towards a worldwide development.

The academic debate is thus likely to get second wind. Indeed, without going back to the historic work of Bowen (1953) on CSR, a return visit is required to a theory that is central in social responsibility: the stakeholder theory. This is indeed the object of increasing attention in management literature and is located at the heart of debates that address the role of business in society. It covers a range of proposals that suggest that managers have moral and societal obligations towards stakeholders.

A stakeholder is an actor, internal or external to an enterprise, which is 'concerned' by its proper functioning, be it an employee, customer, supplier, shareholder or other. The current position given to that person in connection with the company reflects the idea of a new requirement of civil society, which requires that companies report on the social and environmental consequences of their activities when they are economically efficient.

The academic debates have been numerous and, if a researcher such as Freeman (1984) paved the way, the works of Clarkson (1995) have facilitated the development of this theory by showing that 'the concept of stakeholders is the most efficient to collect data in surveys of managers in all areas covered by CSR, Business Ethics and Business and Society' (Lepineux et al., 2010).

If this theory has now been very successful and exceeds the academic circle to be identified by managers, it has yet suffered attacks by the defenders of shareholder power in recent years: '... the stakeholder model supports the expanding of the categories of actors concerned by the firm and its strategy'. There is no evidence, however, that this model is as competitive, as the agency theory has a number of stakeholders with power and very small levers. Empowering devices, or giving body to representations of stakeholders, remains low. The abundant literature on stakeholder theory is, above all, academic and theoretical.

The objective of this work on a CSR 2.0, combining the virtues of each of its inspirations, is therefore an argument in favour of the liveliness of the theory initiated by Freeman. For a firm, together with its stakeholders, is likely to bring a collective intelligence and carries many hopes in times of crisis and uncertainty. These elements are now in the hands of users and, through them, the public.

The user at the heart of the process of CSR 2.0

Do you know Babyloan.org? It's similar to MyMajorCompany of microfinance. Babyloan.org is an Internet platform that enables users to lend money to entrepreneurs, for them to be able to start or expand their micro-enterprise. It is also a social community of lenders, a social business that combines social solidarity objectives and a professional approach by using the new opportunities of Web 2.0. It is thus an example of an initiative combining the innovative

approach of Web 2.0 and social responsibility. We will develop, in the following study, some interesting paths in connection to future developments of CSR 2.0.

First, and in direct correlation with the use of Web 2.0 services mentioned above, we are witnessing the emergence of crowd-sourcing. This neologism of Howe (2006) literally means 'crowd-resourcing'. This concept is translated as 'crowd-resources' by Deschamps (2009) who proposes the following definition: 'crowd-sourcing does not designate a particular feature but a concept applied to 2.0 services by leveraging a large amount of users, so that the mechanic, channelled by a technical and statistical tool brings an added value that will benefit everyone in return'. Users contribute to their improvement, through the simple use of services. On the other hand, crowd-sourcing is also a way to solve problems more efficiently (Brabham, 2008). For example, InnoCentive's site, which allows large companies to submit their research and development problems to Internet users, is a perfect illustration of this trend of outsourcing to the crowd.

Thus, more and more companies are opening their research and development departments to their stakeholders, thus promoting the co-development of their future products and services and the exposure of their doubts and problems. Thus, for example, Lego, as part of its program Lego Factory, encourages children and adults to design their future products (the download is free, easy to use and free of rights) and rewards them with many competitions and prizes. Novartis, the pharmaceutical industry, is committing to the wiki logic to find a solution to problems in the creation of new drugs. After investing millions of dollars in research and development to help fight against two specific types of genetic diabetes, the company has posted all of its knowledge and research into the subject, in the hope that the world scientific community can, in synergy and collaboration, speed up the research to find solutions for the good of all.

These examples demonstrate the importance of collaborating with stakeholders on issues of innovation that above all have to do with a strategic perspective.

In a more participatory philosophy, Ikea has chosen, in the first half of 2011, to publish its sustainability report in a paperless manner, for all its stakeholders. The novelty is in the group's desire to foster collaboration with the public, not just with experts in sustainable development. The Web 2.0 tools have been promoted: interactive

videos on the video sharing site YouTube. With this video, a pioneer in sustainability reporting, a new viral strategy is emerging that should allow easier movement of information, sharing on Facebook, Twitter and blogs, among others, and thus being able to create a dialogue with users. It is, furthermore, a step towards ever more transparency, one of the tenets of CSR and one closely related to the ethos of truthfulness.

'We are all makers': the incantation formula of Dale Dougherty, founder of Make Magazine and Maker Faire, shows, secondly, the importance and dynamics of a philosophy supported by an extremely interesting community for CSR. Behind this new movement there is Tim O'Reilly, one of the Internet gurus who created the concept of Web 2.0. Its key idea is as follows: we must encourage individual creativity as it is leading to greater awareness and social responsibility.

This movement is riding the wave of US DIY (Do It Yourself) and takes various forms which are all exciting and varied: places of digital manufacturing (Hackerspaces, TechShop, mini-spaces for private creation in schools or businesses), emblematic events (Burning Man, Maker Faire ...), start-ups and successful websites (Instructables.com to share tutorials, Thingiverse.com to exchange models and 3D plans), academic work (departments dedicated to Design, Interaction and Technologies at the University of Berkeley in California, the Stanford Club Maker's), and so on. Collective intelligence is running.

This 'do together' philosophy can enable us to reclaim the company and its requirements through a better understanding of the finer manufacturing process, enable us to build self-confidence in our ability to understand and create, and also help us share our knowledge and benefit from the discoveries of the community. These three goals are what make the concept of CSR effective but there is, at the same time, the risk of exploitation.

These 'cooperatives of the future' include computer scientists, designers, artists and even children when integrated into schools to educate new generations of innovation on the challenges of the millennium. Development could significantly disrupt some of the logic of supply and demand established by the industrial economy and market during the 19th and 20th centuries. According to its uses and locations, a tool such as Manu-Lab could release some populations from their dependence on remote producers (by lowering transport

costs, licensing fees, intellectual property rights, and so on). It could also be part of a strategy of eco-development.

Be warned though that the opposite is also true. Indeed, collective intelligence through the use of Web 2.O could also be used for means that are very far from the issues of sustainable development. But we remain optimistic and believe that Web 2.0 will be able to save CSR.

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4
Ethical dilemmas in customer relationship management

Mary McKinley

Introduction

This chapter looks at the ethical nature of customer relationship management (CRM) in organisations and examines whether or not the trust on which data collection and storage depend are justified. Knowledge about customers and clients has become one of the most critical driving forces for business success, and intelligent organisations believe that knowing as much about the customer as possible is an asset that grows with time and gives the organisation the ability to continuously compete and innovate (Gupta, Lakshmi and Aronson, 2000).

The literature on CRM predominantly takes the positive view that it enables organisations to capture essential knowledge and processes and make them available where needed, under the assumption that it will be collected and distributed accurately, appropriately and with good intentions, leading to efficiency, improved decision-making and protection of intellectual property. The so-called 'utopian view' or 'knowledge management nirvana' (Alter, 2006) fails to incorporate the ethical issues, namely the underlying methods and motives for the use and impact of CRM systems on individuals, the organisation and society. The focus is therefore on the 'bright side' of CRM while the other side, in which knowledge is distorted, suppressed or misappropriated due to personal or organisational motive, is rarely mentioned. Such manipulation (and often distortion) of knowledge is referred to by Land et al. (2004) as the *mismanagement of knowledge.* This chapter aims to demonstrate the conflict between the CRM

paradigm and the paradox of ethical issues such as trust, freedom of information, privacy of data, the protection of intellectual property and the intellectual capital of organisations.

The CRM paradigm

The definition of CRM has developed in marketing texts over time and may be said to be a 'process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction' (Kotler, et al. 2011). A CRM system is usually based on a software system integrating as many customer touchpoints as possible, whether they be at the point of purchase, via the sales force, service calls, website visits, satisfaction surveys, market research or credit transactions; wherever a company interacts with a customer. The development of ever more sophisticated Information and Communications Technologies (ICTs), enormous data warehouses and the accelerating pace of technological change result in a nearly continual flow of information that the company can store, retrieve and use to increase customer satisfaction.

Customer Relationship Management is sometimes linked to Knowledge Management (KM) in terms of helping organisations find, select, organise, disseminate and transfer important information, knowledge and expertise necessary for activities such as problem solving, dynamic learning, strategic planning and decision making (Gupta et al., 2000). While CRM is usually a marketing function, KM is a broader process whereby the expertise and knowledge that are part of organisational memory – and that reside within an organisation in a structured or unstructured way – are captured, catalogued, preserved and disseminated.

The three promises of the CRM/KM paradigm are:

1.   *Competitive advantage*

Knowledge is an organisational asset and a primary resource to gain and keep a competitive advantage. The essence of the firm in the new economy is its ability to create, transfer, assemble, integrate, protect and exploit knowledge assets. Such knowledge assets underpin competences and these competences underpin the firm's product and service offerings in the market. In the CRM paradigm, the management of customer information is promoted as an important

and necessary factor for maintenance of competitive strength as well as better selectivity and flexibility (Martensson, 2000) and the successful application of knowledge helps organisations deliver creative products and services.

2. Knowing what you know

The CRM paradigm refers to a marketing's collective expertise and therefore helps organisations to 'know what they actually know' (Martinet, Marti 2001). The indicators for an organisation's ability to create, disseminate and apply knowledge are the culture, actions and beliefs of managers about the value, purpose and role of knowledge; the creation, dissemination and use of knowledge within the firm; the kind of strategic and commercial benefits that come from CRM; how a firm should organise for KM and the role of information technology in the CRM program (Gupta et al., 2000).

3. Capturing tacit knowledge and converting it to explicit knowledge

Baskerville and Dulipovici (2006) define organisational knowledge as being embedded in organisational processes, procedures, routines and structures. It is the knowledge that 'holds a firm together'. According to Lang (2001) organisational knowledge is social in character. Knowledge can also be interpreted from a different viewpoint as a resource that resides in the minds of employees. This *personal knowledge* resides in the mind of an individual person as an innately human attribute of that person. In the Information Age, where knowledge workers are well compensated, personal knowledge represents a large part of an individual's personal worth to society. As such it is a source of income, as individuals are often hired or contracted on the basis of their particular expertise and skills (Baskerville and Dulipovici, 2006). Managing such personal knowledge is portrayed in a positive light in the CRM/KM paradigm.

Tacit knowledge resides in the human mind, evolves from people's interactions and requires skill and practice (Martensson, 2000). Explicit knowledge is documented and public, it is structured, has a fixed content, it is externalised and conscious (Martensson, 2000) and expressed in some written or spoken form. Along the same lines, Lang (2001) distinguishes between 'know-what' and 'know-how'. Know-what is explicit knowledge that can circulate freely, while know-how is the ability to know when certain actions are appropriate

and to act accordingly. This 'tacit knowledge' is embedded in work practices and is hard to coordinate or capture.

One of the promises of CRM is that it will appropriately extract ('capture') tacit knowledge so it can be efficiently and meaningfully transferred to explicit knowledge, shared and reapplied. Martensson (2000) refers to this process as 'capturing best practices' and, in the best companies, those best practices include a strong emphasis on protecting customers' data and rewarding employees who have that responsibility, such as CRM analysts.

CRM and data handling

The information collected about consumers, including how often they return to a particular website or how frequently they lodge complaints with your hotel or how much they buy during each visit to your establishment, their family size, their underwear size … all of it is collected and stored either by the company itself or in a separate establishment created for the purpose, a data warehouse. But it requires a process known as 'datamining' to extract the information that will create value for a firm. Datamining allows a firm to pinpoint much more efficiently those customers most likely to make a purchase so as not to waste valuable resources on those least likely to purchase.

Customer knowledge leading to a better relationship and stronger loyalty comes from the practices of careful analysis of not only the bits of information gleaned from all those stored records but also from finding the relationships that permit better marketing decisions. For example, a supermarket may have millions of cash register receipts and thousands of shoppers who use the loyalty card regularly. By noticing that a cluster of families do their major shopping for the week on Saturdays and only pick up a few things such as milk, beer or nappies on Thursday evenings, the store can decide to locate special offers on these products near each other or contact the customers through a targeted e-mail. Styhre (2002) says of knowledge, 'It is not consumed but shared, given away and received'.

Customer relationship and knowledge management are described as the management of customer and corporate knowledge to improve a range of organisational performance characteristics leading to enterprises that are more 'intelligent acting' and 'innovative' (Martensson,

2000). This implies that a company's capacity for competitive intelligence is, therefore, enhanced as well. There are nearly as many definitions of competitive intelligence (CI) as there are applications of it. The Society of Competitive Intelligence Professionals (SCIP) defines it as 'a systematic and ethical program for gathering, analyzing and managing internal and external information that can affect a company's plans, decisions and operations. Specifically, it is the legal collection and analysis of information regarding the capabilities, vulnerabilities and intentions of business competitors, conducted by using information databases and other "open sources" and through ethical inquiry'.

In summary, organisations' organisational culture is a critically important aspect for facilitating sharing, learning and knowledge creation. In the 'CRM/KM Nirvana' knowledge exists, people are motivated, the culture supports KM and the appropriate processes and technology are used to achieve 'happy outcomes' (Alter, 2006). However, effectiveness and happy outcomes do not necessarily mean ethical and could, depending on the situation, in fact mean the opposite.

The ethics paradox

Ethics relates to codes of conduct regarded as right and good, based on morality or values, faith or some higher authority. Ethical principles are rarely absolute but are 'relativistic and arise out of particular situations' (Harshman and Harshman, 2008). As with many discussions of ethics or moral reasoning, clear determinations are complicated by conflicting rights. Determining right from wrong in a knowledge management process pertains to knowledge sharing, protecting intellectual capital of individuals and corporate intelligence of organisations, as well as social and cultural sensitivity. A teleological approach considers the ultimate consequences of human actions in order to resolve ethical dilemmas, while deontology denotes that some kinds of action are in themselves wrong, despite the consequences of the actions. In other words, deontology refers to 'doing the right thing' while teleology is concerned with achieving the desired outcome from the actions (Gordon-Till, 2002). In the teleological approach actions are right if they have good consequences ('the end justifies the means') and wrong if they have

bad consequences (MacDonald and Beck-Dudley, 1994). Ethical para-doxes exist in the CRM paradigm.

How information is guarded and used

CRM systems provide the opportunity to manipulate and control knowledge at the sourcing, collection, storage and distribution phases. Knowledge can be created, omitted or withheld, suppressed, amplified or exaggerated, diminished or distorted. Suppression means that obstacles are created that make it impossible to create, access and use knowledge that might contravene certain parties' interests. Distortion refers to the introduction of biases and presenting the information in a way that favours a specific party's interest and viewpoint (Alter, 2006). He adds 'misappropriation' to this list, which includes theft, modification and inappropriate revelation of knowledge.

The rapid growth of support businesses specialised in collecting information with the intention of selling it for marketing purposes is but one example of an opportunity for the bond of trust between customer and company to be damaged. Companies themselves are more and more often engaged in this lucrative business.

In late 2010, the cosmetics and soap company, Lush, admitted that their website had been hacked numerous times over a three-month period and confidential customer information had been stolen, including financial information. April 2011 saw the unwelcome arrival of e-mails from some of the world's largest firms, including Marks and Spencer, Hilton Hotels and American Express alerting customers that billions of e-mail addresses had been stolen from the company to which they had outsourced their CRM operations, Epsilon (Lockton May, 2011). The repercussions of that theft, the largest ever breach of data security, are still being measured in terms of loss of reputation, damage to goodwill, equity and trust.

Capturing tacit knowledge

The transfer of knowledge creates intellectual property for the employer and the ownership is shifted from the individual to the collective. The conversion of tacit knowledge into explicit knowledge raises important ethical issues. Baskerville and Dulipovici (2006) ask the question whether organisations own the knowledge about their customers and of their own employees or whether personal knowl-edge falls under the personal privacy theory, such that individuals

have the right to protect the security of their personal knowledge. In other words, does organisational knowledge fall under the intellectual property theory and organisations therefore have the right to buy, sell and use their corporate knowledge as they wish; or is this knowledge an attribute of an individual, which should be protected under human rights to privacy or security-of-person? Is the development of knowledge-sharing organisational structures the rightful exercise of organisational intellectual property rights, or is it an invasion of worker privacy? In short, do organisations that intentionally develop knowledge-sharing cultures violate individual privacy rights?

Argandona (2003) is of the opinion that the knowledge undoubtedly belongs to individual people, but people usually receive this knowledge in their job. He points out that there is a conflict between the duties of respect of individual dignity and autonomy, but also fairness and loyalty to the organisation. According to him the answer is easier to find when the knowledge is available in an external form such as a database, but more difficult when it is knowledge held by a person, including skills, abilities, attitudes and values. Styhre (2002) says that in Internet-based economic ventures, sharing is by no means a negative thing, but that it becomes part of the modus operandi and business ethic that are shared among Internet-based actors.

Apart from the conversion of tacit knowledge into explicit knowledge, KM also demands the direct transfer of tacit knowledge between individuals ('sharing'). Personal knowledge is liable to be less valuable when transferred to others and the transfer of personal knowledge therefore engages ethical decisions regarding the personal worth of the individual. Employers may unfairly exploit the knowledge of employees without rewarding them accordingly for sharing their knowledge and making it available to others. On the other hand, employees may face ethical dilemmas if they withhold or distort knowledge that should rightfully be shared with the employer (Harshman and Harshman, 2008). It is not clear that personal knowledge can be ethically treated as a commodity to be bought, owned and sold; there are currently no human rights declarations with regard to personal knowledge (such as with property). Article 17 (Right to property) from the Charter of fundamental property rights of the European Union states:

> Everyone has the right to own, use and bequeath his or her lawful acquired possessions. No one may be deprived of his or her

possessions, except in the public interest and in the cases and under the conditions provided by the law, subject to fair compensation being paid in good time by their loss. The use of property may be regulated by law in so far as is necessary for the general interest. In addition, Intellectual property shall be protected.

Increasing the power of the organisation above the knowledge worker

The biggest challenge for CRM/KM is not a technical one, but one of overcoming cultural barriers, especially the sentiment that holding information is more valuable than sharing it (Martensson, 2000; Larrat and McKinley, 2004). Efforts to deploy KM are often met with employee resistance and reluctance to share their expertise. Employees are competitive by nature and may be more inclined to hoard than share the knowledge they possess. An unwillingness to share knowledge that may harm an organisation's survival is seen as being seriously unethical (Lin, 2007). On the other hand, if organisations capture and transfer what the knowledge worker knows ('tacit knowledge') into data warehouses the knowledge worker becomes less valuable and can ultimately be dispensed with. The importance of making tacit knowledge explicit could therefore have the hidden agenda of making the knowledge worker more vulnerable to downsizing. Cultural values also often prevent people from sharing and disseminating their know-how in an effort to hold onto their individual powerbase and viability (Gupta et al., 2000). In cases where employees are protected by law from the pressures of sharing their knowledge with the firm and colleagues, there exists a competing drive to promote the CRM/KM paradigm while paradoxically enforcing limitations on information collection and knowledge dissemination.

Competitive Intelligence (CI)

The inclusion of the words 'legal' and 'ethical' in the definition of CI show that CI has come some distance from its nefarious 'cloak-and-dagger past', although the theft of technology and information is still a frequent occurrence despite ever more strict regulations and security efforts. Some of the benign tools of CI are as simple as regularly reviewing competitors' profiles and publicly available reports,

conducting patent searches, monitoring news alerts and financial reports, tracking sales force reports, sending out mystery shoppers and noting how full the competitor's restaurant is. Because they are generally within the public domain, these types of intelligence are known as 'open source'. The next level of information is 'grey literature,' that which is not in the public domain but available to insiders, those who subscribe to a particular publication or are part of a network. At a yet more sophisticated level, CI includes regularly debriefing supply chain members, scenario modelling, creating a knowledge capturing and management system, customer relationship management technology, datamining, dynamic pricing, robotic shoppers for vendor selection, negotiation and agent communications (Zack, 1999). The large volumes transacted in currency markets, often with the advantage of anonymity provided by electronic commerce, lend themselves to exploitation by the national intelligence agencies for enhancing their budgets for clandestine operations and for destabilising the economies of target countries.

Saïd and Bretones (2009) have shown that the integration of Competitive Intelligence (externally oriented) and Knowledge Management (internally oriented) can increase the information absorptive capacities of an organisation. Respecting the intrinsic complexity of the external competitive environment while guarding the internal wealth of knowledge that the employees inside the firm have built should enhance the firm's ability to quickly take in new information from the marketplace and synthesise it for its own benefit. Firms can derive significant benefits from consciously, proactively, and aggressively managing their explicit and explicable knowledge, which many consider the most important factor of production in the knowledge economy. Doing this in a coherent manner requires aligning a firm's organisational and technical resources and capabilities with its knowledge strategy. The ethical issues are a balance between the rights of organisations to limit access to knowledge, against the rights of society to share in that knowledge for the benefit of society as a whole.

Under the 'intellectual property theory', organisations such as companies, universities and governments are entitled to manage their corporate knowledge, and institute knowledge sharing activities and structures with little restraint. A datamining system can be used to gather and correlate data about the activities of citizens and

employees (Land et al., 2007). Under 'personal privacy theory', individuals are entitled to protect the security of their personal knowledge, and knowledge sharing institutions must be governed by the voluntarism of the individuals.

The knowledge based economy is therefore 'founded on the ethics of sharing, an ethics of giving' (Styhre, 2002). The ethical issues around datamining and the issues of data misuse and privacy breaches are not often discussed, as IS and marketing departments and employees take pride in the power of the system (Frow et al., 2011).

External factors Influencing KM ethics

Certain external factors have an influence on ethical viewpoints and the way KM is applied in an organisation.

Country culture

Knowledge draws on data and information and is socially and culturally embedded (Styhre, 2002). It is to be expected that different cultures will have different attitudes regarding issues of ethical business conduct and the cultures themselves may change relatively rapidly. What may be commonplace in one country may be considered unethical (or even illegal) in another country. Hofstede's cultural framework of power distance, uncertainty avoidance, individualism and masculinity has been widely accepted in the social sciences. Blodgett et al. (2001) applied the Hofstede typology to determine the effect of culture on the ethical sensitivity towards various stakeholders. They found that uncertainty avoidance had a positive effect on ethical sensitivity and power distance and individualism/masculinity had negative effects of ethical sensitivity. The ethical sensitivity to stakeholder interests also differs; for example Americans are more likely than Taiwanese to place their own personal interests above their employer's interests and will be more likely to push a competitor out to gain a sale. Resolving the conflict between organisational rights and individual rights to personal knowledge is a moral judgement that is likely to be influenced by cultural values.

Ethical decision making is affected by culture through an individual's deontological and teleological evaluations. Although individuals may regard a particular activity as ethical, they may

follow a different course of action because of the desirable outcome. Because people make different assumptions about personal knowledge, it can therefore not be assumed that workers in all cultural value systems will view their own decision not to share their personal knowledge, or a decision to act out of self-interest in the face of internal competition, as unethical or immoral. In certain cultures workers may view knowledge management as an attempt to deprive them of valuable personal attributes and violate their human rights. As a result, in some cultures, management of organisational knowledge vis-à-vis personal knowledge may respond to distinctly different ethical frameworks and require distinctly different management practices (Baskerville and Dulipovici, 2006).

Larger companies in France, for instance, tend to have a rigid hierarchy and information flows tend to be top-down or horizontal. Several studies characterise the French as secretive by nature and unwilling to share information within the firm, either out of an instinct towards protection or a belief that power redounds to the information-holder and not the information-sharer (Larrat and McKinley, 2004). An exploration by Martinet and Marti (2001) of companies and practices confirms the pervasive culture in France of clinging to important information until it can be exchanged for some personal advantage. Compounding the problem of knowledge management in the French organisation is the conflict between competing drives to promote the paradigm while paradoxically enforcing limitations on information collection and dissemination under the French Commission Nationale de l'Informatique et des Libertés, CNIL.

However, even the French and EU-wide regulations do not make companies immune to ethical errors. An article in *Le Monde* (28 January 2011) quotes a study carried out by l'Association Française des Correspondants à la Protection des Données à caractère Personnel (AFCDP) revealing that 82 per cent of the companies do not respect the laws governing the collection and safeguarding of personal data.

Post-September 11, 2001 changes in the United States vis-à-vis national security and demands for ever more information about companies and private citizens have created softer boundaries between privacy protection and unethical use of data. At the same time, highly publicised corporate scandals have resulted in much tighter regulation

and monitoring for employees who have access to proprietary information or who develop intellectual property for the employer.

Organisational culture

The organisational culture defines the core beliefs, values, norms and social customs that guide the behaviour in an organisation. If an organisation wants to succeed in its KM practices it should consider both social and technical enablers for knowledge sharing. A culture supportive of KM values knowledge and encourages its creation, sharing and application. Important aspects of such a culture are collaboration, where individuals come together to interact, exchange ideas and share knowledge; trust, without which people will be sceptical about the intentions and behaviours of others and withhold knowledge as a result; innovation, where individuals are encouraged to generate new ideas, knowledge and solutions; and tolerance of mistakes and openness about failures, without the fear of punishment.

Employee related information is a valuable organisational resource and it is important to consider how this information resource is controlled. The information boundary theory attempts to understand personal privacy at work and highlights when and why individuals withhold or release valuable information (Stanton and Stam, 2003). The organisational behaviour of individuals in the organisation will have a direct impact on the knowledge sharing and transfer amongst colleagues and management. Trust is a key factor in an individual's decision to share personal knowledge with others (Choi et al., 2008).

Closely related to the concept of company culture is the leadership style and the level of trust the leaders instil in – and the support offered to – employees. Leaders are important role models – through deeds, not just words – for the desired behaviour for CRM/KM. They should themselves exhibit a willingness to share their knowledge with others in the organisation.

Information Technology such as databases, hardware and software applications have created the expectation of a new world of leveraged knowledge. E-mail and the Internet have made it possible to share knowledge no matter where the expert is located. However, it should be borne in mind that knowledge is not information and therefore it cannot be delivered by Information Technology (IT).

From information to knowledge to wisdom

Rooney and McKenna (2007) are of the opinion that the accumulation of intelligence, knowledge, expertise and technology has not improved the world when compared to what it was 50 or 100 years ago. They refer to the knowledge-based economies as a response to the 'risk society'. The knowledge management practice is based on a need to measure knowledge, exploit intellectual capital and use computer-based knowledge management systems, 'thereby divesting certain forms of social practice of their social, ethical, political and moral values' (Rooney and McKenna, 2007). The more knowledge we call on to deal with risk, the more risk we create, and then call for more knowledge and so on. CRM may have focused too strongly on maximising knowledge and knowledge access and sharing, with insufficient focus on what knowledge to select, apply and institutionalise in organisations.

Although maintaining, processing and building the best possible relationships with customers are important, Rooney and McKenna (2007) states that 'doing so in absence of wisdom can be ineffective, even dangerous'. According to Rowley (2006), wisdom requires knowledge – and the sensitive use of knowledge – but not necessarily a great accumulation of it. Wisdom is critically dependent on ethics, judgement, insight, intuition and creativity. It is a process by which we 'discern, or judge, between right and wrong, good and bad' and therefore wisdom is the result of 'integrating knowledge with moral concerns' (Rowley, 2006). Wisdom, like ethics, is less concerned with what we know than with how we act (Rooney and McKenna, 2007).

Wisdom allows people to place things in perspective and reject that which depreciates humanity and imperils optimal organisational outcomes. Rowley (2006) refers to wisdom as 'the best guide for the supreme good'. Wisdom allows people to see things within the larger context and also to see and consider all points of view – 'adopting multiple perspectives of multiple stakeholders', he writes. Organisations need to help people to become wiser and create the organisational conditions for wise practice.

Wisdom must therefore be founded on ethics as its aim is to balance the good of the individual and society – not an easy task. Business also needs to be wiser, not only for commercial or intellectual reasons, but also for ethical reasons as it is a mediator between the economic sphere and the social, environmental and technological

spheres. Wise organisations will develop effective, persuasive and ethical communication to promote and generate collective wisdom, diffuse tacit and explicit knowledge through sense-making dialogue and increase creativity. Literature (Baskerville and Dulipovici, 2006), (Land et al., 2007), (Harshman and Harshman, 2008) highlights the need for ethics and the need for leaders to strongly commit themselves to appropriate ethical standards. In short, wisdom = knowledge + ethics + action (Rowley, 2006).

Conclusion

There are two forces in organisations that are in conflict and 'pull in opposite directions'. There is conflict between the knowledge management paradigm and the paradox of ethical issues such as freedom of information, privacy of data and protection of intellectual property. On the one hand we have the KM paradigm claims to increase, create, store, share and apply knowledge towards improving organisations and their competitiveness. Much of the literature on KM states that the systems and practices are 'naturally benign' and designed, implemented and used with the ultimate goal to improve the condition of mankind (Land et al., 2007). The utopian viewpoint centres on organisational benefits and treats knowledge management as the key to prosperity in the global information economy. On the other hand we have to consider the ethical approach of doing what is right conduct (deontological approach) and doing what has the right outcome/result (teleological approach). The ethical approach aims to decrease the sharing of certain information, protect privacy, protect employee power/intellectual capital and avoid applying knowledge to the detriment of any stakeholders. Many KM practices have more 'malign objectives' and are often self-serving (Land et al., 2004). The dystopian story features individual harm, which has uncertainty, anxiety, and distrust as the commoditisation of knowledge work threatens a wide range of workers with 'de-skilling' (Choi et al., 2008).

It is clear that knowledge management practices differ with regard to organisational and personal knowledge. Two potential ethical issues are the overwhelming databanks of information that never become knowledge and also the risks of the data collection being leaked to competitors or outright criminals (McDermott, 1999). A knowledge paradox exists as organisations may purposely limit information

transfer to prevent industrial espionage (organisational knowledge culture) and on the other hand employees may hinder knowledge transfer if they think it diminishes their professional value (related to the concept of personal knowledge). According to the personal privacy theory, personal knowledge is protected by privacy rights and is owned by the individual. However, personal knowledge can be bought and sold through the hiring and dismissal of employees. Transfer of personal knowledge could only be accomplished with the permission of the individual who currently possesses the personal knowledge.

Organisations face a quite different knowledge paradox under privacy theory. The paradox lies in the right of an individual to retain their personal knowledge in order to assure job security, since the transfer of personal knowledge to another individual could lead to the redundancy of the sender. The rights to privacy would protect the individual from being required to provide services to their employer that ultimately eliminates the individual's employment. The individual could provide such service to the employer provided that he/she gives permission.

Trethewey and Corman (2001) argue that two ethical continua can be used to assess knowledge management practices, namely inclusive-exclusive and transparent-opaque. The inclusive-exclusive dimension concerns whether a CRM/KM system is designed for public or collective good. The transparent-opaque dimension focuses on whether employees know that knowledge is being collected about them, when and how such monitoring is taking place, how the data is used and the consequences of such monitoring. Bull and Adam (2011) posit that a more holistic approach and rejection of the utilitarian perspective in favour of virtue ethics should improve or restore the bond of trust between the company and its stakeholders.

The external factors influencing the practices of knowledge management have been found to be company culture, knowledge driven or product/service driven company/industry, country culture, individual behaviour (e.g. propensity to share), competitive forces (importance of competitive intelligence), laws/legal requirements, ethical approach in the country and ethical approach in the company. CRM has to concern itself with the ethical issues that go hand in glove with human behaviour.

Wisdom guides knowledgeable actions in the basis of moral and ethical values. In other words wisdom is knowledge with an ethical

outlook. Wisdom gives organisations a long-term perspective and the ability to determine the most appropriate behaviour, taking into account what is known and also the legitimate concerns of various stakeholders. The question can be asked: Will wisdom address the ethical knowledge management paradox?

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5

Brand communication and ethics: in search of a soul

Angela Altes-Mathieu

Introduction

Awareness of environmental and social problems in France has seen a rapid progression, as evidenced by many high profile events. The translation of these global issues to the managerial level, and at the marketing and communication level, is essential given their role in the current society.

However, the consumer is overwhelmed with 'green', 'ethical', 'sustainable' and 'responsible' messages, often carried to excess. In the worst cases, exploitation of the sustainable concept in communication contributes to strongly negative credibility.

These postures, often stigmatised by the name of 'greenwashing', are taking the risk of degradation of the image of companies and brands they are supposed to promote and, eventually, a decrease in consumer trust, already subject to cynicism and pessimism over this kind of theme.

So, how to reconcile communication and ethical principles? How to have respectful but efficient communication with the consumer? What are the risks? What are the safeguards? And what kind of framework should be developed to restore the soul of communication?

We will not consider here the problems in corporate communications or communication with content linked specifically to sustainability messages, such as Corporate Social Responsibility (CSR) reports, or to ethical codes of conduct, but will focus on more mainstream

communication, dedicated to brands or products and services driven by a brand.

Ethical issues in brand communication: 100 per cent business approach

Approaches and definitions of ethical marketing and communication are numerous, but they all involve researchers, entrepreneurs, consumers and citizens in questioning the integration of CSR within the company and especially within the marketing and communication functions.

We can, first, simply deny the usefulness of CSR, as the US economist Milton Friedman did, by saying that 'the social responsibility of business is to increase its profits and it's hypocritical to consider it to have any other liability' (*The NY Times Magazine*, 13 September 1970). We can also, in the same way, consider that marketing and communication have a single goal which is to primarily encompass in this approach profit maximization, using all the elements of the marketing mix (including communication) in order to achieve this purely financial objective.

This approach, though often criticised by academics and the more sceptical consumer, is nevertheless still the accepted goal in marketing teams and advertising agencies. A look at the criteria for measuring the impact of communication campaigns based on return-on-investment is enough to demonstrate this.

So, under this mindset, marketing and communication have the purpose of encouraging the consumption of the product or service or brand, of course, within the different legislation in force and avoiding misleading the consumer, but with no other ultimate goal than financial success. Let's be clear: the financial approach to marketing and communication is essential, and no brand or firm may be expected to run without generating an operating account great enough to survive over time.

But is that far enough? Can we continue to think this way and deny the aspirations of a growing part of the population? The CSR citizen's aspirations will definitely have an implication for their day-to-day decisions and those citizens are therefore beginning to make purchasing choices based on a new kind of information and communication.

The triple bottom line approach and impacts on communication

The introduction of the accounting of ecological and social impacts in addition to financial performance has become known as the 'triple bottom line' (TBL) approach, based on the contributions of John Elkington (1998, 2004). This means focusing the activities of the corporation not just on economic returns, but also on the environmental and social value they add or destroy. Although the TBL has its detractors, who point out that trying to measure the three elements separately is impossible or that it encourages vague promises for future improvement that may never be kept (Brown et al., 2006), it remains a fact that thousands of companies voluntarily report their performance. Furthermore, in most EU countries, beginning with France in 2002, publicly traded companies are required by law to publish annual TBL reports (Delbard, 2008).

Elkington went even further than the TBL approach in his landmark book on enterprise typology (*The Chrysalis Economy*, 2001) which also highlights the existing differences in approach to TBL, creating

Table 5.1　The MetaMatrix (John Elkington, 2001)

	Low impact	High impact
Regenerative (increasing returns)	Butterflies – Sustainable business model – Strong commitment to CSR – High visibility, loud voice – Widely networked – Commercial lightweight – May publicly attack locusts	Honeybees – Sustainable business model – Strong business ethics – Constant innovation, cross-pollination – Strategic use of natural capital & other resources – Sophisticated technology
Degenerative (decreasing returns)	Caterpillars – Unsustainable business model – High 'burn rate' – Relatively low impact – Potential for switching to regenerative mode	Locusts – Highly unsustainable business model – Tendency to swarm, overwhelming habitat – Destroys various forms of capital – Zero cross-pollination

different profiles for companies according to their impact (social, environmental) and returns related to their business. He describes how a company can transform itself from a simple value-based model to a more sustainable and ethical values-based platform.

This new language is relevant to a new way of thinking and, beyond the reconciliation of the three 'p's' (people, planet and profit), must also have an impact on marketing and communication activities.

We can imagine that companies should play a positive role and move towards a typology of 'butterflies' or 'honeybees' on the one hand, improving their manufacturing processes and products (sourcing of raw materials, production, packaging, etc.) and, on the other hand, by communication, influencing the behaviour of consumers' choices in purchase, use and re-use or recycling.

Because of their fundamental role in changing consumer behaviour, marketing and communication can be decisive in a firm's activities.

Opposing definitions?

From the perspective of defining communications, there appear to be two definitions of communication that are contradictory, perhaps even schizophrenic!

The first definition is highly 'ethical': it is the way to give some information about an offer whether it be a product, service, brand or company that meets a consumer need, which will allow a benefit in the short or medium term (well-being, health, time, psychological, etc.). In this case, communication is the source of information that will bring this benefit to the consumer.

The second definition is, in fact, based on the stimulation of consumer desire (conscious or latent), which can sometimes be assimilated within a 'manipulation', because the objective is to generate such a desire that, on some vulnerable or susceptible target, can be difficult or impossible to control.

Both definitions are extreme and, in fact, very subjective. All advertisers will aver that their products add value to the consumer and that their communications interest is not based on manipulation.

Yet, one can also follow the thinking of Pastore-Reiss (2007) that beyond the traditional marketing or communication activities is the necessity of examining them in terms of ethics. Indeed, like any other discipline, the point is to focus on the way to execute them in

the most efficient, effective and ethical manner. According to Helffer (2003), we can even say that marketing is 'inherently ethical' and that the advent of 'social marketing' with its focus on listening to a concerned shopper, can give the marketing department the chance to be the consumer advocate within the company, making itself the spokesperson for the long term welfare of the company and defending the consumer interests in relation to other business functions.

Generally, even companies involved with inherently 'ethical' project and values, such as NGOs or fair-trade labels, need, at some point, to be known by their targets in order to achieve their mission.

Communication is nowadays essential to reputation and image building (product, brand, institutional) and whatever the relevant market or the degree and ethical commitment of the product, brand or company's competitive pressure, all companies are now forced to think very early about their communications strategies.

The function(s) of ethics in communication

Some companies are now challenged and are trying, in a real and thorough manner, to offer products that respect the best practices in sustainable development and to integrate ethical principles in their communication.

Ethics as ideology or context adaptation?

According to Thiery-Seror (2004), an organization may incorporate 'ethics as sacrament', that is, as part of the basic ideology of the firm, often the source of the idea of creating the company or brand in the first place, or 'ethics in practice' for companies trying to reduce the harmful effects of their business on the environment, investing in growth markets with both sustainable and business opportunities, overcoming and preventing fraudulent activities and so forth.

These two views are interesting when 'ethics as sacrament' is the path followed by some companies that have been, from their beginning, inspired and supported by a core of ethical behaviour (health improvement, diversity in the workforce, offsetting carbon emissions) while other companies have launched a more pragmatic model (opportunistic, some say) and have lately added ethics in their approach.

But today's consumer is also changing; while traditionally product characteristics must be translated into 'consumer benefits' that are often quite self-centred or egocentric, these consumer benefits are now expressed in a more collective or beneficial-to-society way, as in, 'I buy this brand of coffee because it is good and it provides a fair return to the producer at the other end of the world'.

Moreover, as pointed out by Robert-Demontrond (2009), the temporal orientation of the consumer will no longer be turned exclusively to the future (potential and expected benefits to be gained from the use of the product or service) but also to the past, regarding the conditions of production.

Numerous studies conducted in France by the NGO/consultancy Ethicity.net (q.v.) show that certain characteristics of organizations more than others have an impact on the credibility and legitimacy of their 'ethical soul' as perceived by consumers: their legal status (public or private), their size (SME or multinational), and their proximity (local or international), are all factors that affect the notion of trust in a corporation, a brand or a product and its message.

Understanding of a more global responsibility

More generally, some researchers have posed a central question over the responsibility of marketers and communicators. The main question raised is the power they have in their hands, both at the operational level and the strategic level. Bergadaa (2004) highlights the different aspects of a person that must be confronted by the marketer:

- As a 'social individual' who thinks with his own morality (do I believe in my conscience that my product can cause harm to someone?)
- As a 'professional expert' committed to respect ethical principles (I decide not to place an advert targeting children during TV programmes dedicated to them)
- As a 'manager leader' of the marketing or communication function within the company, with a governance power and concomitant responsibility in his field of activities (I wish to maintain a correct relationship with my suppliers), or

• As a 'citizen of the world', who is aware, vigilant and cares about the future of the planet (what impacts are my product going to have long term on the environment?).

Towards an oxymoron?

At first analysis, traditional advertising and sustainable development seem opposed. In *The Practice of Sustainable Marketing Guide* published in 2011 by ADEME and Comité 21, we find a configuration inspired by the French collective AdWiser, which promotes responsible communications:

ADVERTISING/ COMMUNICATION	SUSTAINABLE DEVELOPMENT
Ephemeral	Perennial
Seduction	Information
Superfluous	Useful
Desires	Needs
Waste production	Reduction (waste, carbon emissions...)
Value to have	Value to be
Funny	Austere
Provocative	Moralizing

And, to compound the problem, advertising and communication are more and more exposed to different pressures and critics:

• exposure to growing societal pressure from consumer associations and anti-advertising groups
• exposure to the increase of the law and regulations about environment and the allegation, running the risk of being accused of 'greenwashing', of 'fairwashing', or even 'ethical washing'.

Towards responsible communications

All this forces more and more companies and agencies to rethink how to make communication more responsible, more innovative

and even more effective. The main purpose of this type of communication is to create a more harmonious relationship between the brand (or company) and its consumers by asking a number of issues ahead of the publication of the notice, in order to avoid some risks.

The risk to advertisers can be classified into several categories (from Utopies © 2010 'Responsible Advertising & Communication'):

- Risk emergence: activist campaigns about one or more ads for the brand
- Legal risks potential: tightening of existing legislation, for example the European Directive on health claims; increased scrutiny of claims
- Legal risks triggered: such as 'class actions' or other legal claims against products in some categories (cigarettes, fast food), the legal actions against marketing and communications represent a real danger for brands
- Risks of reputation through media campaigns: even if they do not lead systematically to legal actions, some buzz campaigns can create a negative image for the product, brand or company. Many advertisers are subject to 'hijacking' of their advertising campaigns and even calls for a boycott of some brands or firms
- Market risks: lower sales related to the risks above or having to halt an ad campaign, with a significant financial impact.

Responsible communication may be subject to different regulatory elements. Some issues are managed in a 'collective' way, including the constraints by specific national or EU-wide laws; coverage of advertising practices by professional codes of conduct; setting up organs of self-regulation by advertisers, advertising agencies or a joint representative of these two professions.

A distinction has to be made between 'legal/illegal' practices, which are governed by a corpus of codes in order to regulate the profession and therefore required by the law, and 'legitimate/illegitimate' practices, which are referred to as how the company or the brand considers its communication, what the vision of the relationship to the client or consumer is, and what kind of values are carried by the brand. These second practices are not mandatory but rather optional.

More specific CSR approaches can also be developed through a system of internal audit, or some validation of communication campaigns, before being aired.

Some companies go further by launching communication campaigns to raise awareness of sustainable consumption (but with a more institutional approach) and there are even some pro-active approaches from pioneers, who refuse to accept public traditional communication, turning to non-media campaigns, or a strong emphasis on 'activist' ideas, such as the highly successful Nature et Découverte shops throughout France, established in 1990.

Good practice guide, the Comité 21 example

A number of 'good practice guides' are advanced in terms of responsible communication, one of which will be quoted here. The Comité 21 was the first network of different actors in France involved in the implementation of sustainable development under the UN's Agenda 21. Following its analysis, the establishment of a responsible advertising strategy involves two main areas:

1. An eco-design of campaigns and media plans (from the operational point of view)
2. A reworking of the basis of the message, which passes through a set of questions, combining rules and recommendations:
   Question 1: Is the content of my message really true?
   Communication should not mislead the public as to the reality of the actions of the advertiser or the properties of its products in sustainable development. Actions must be claimed and the advertiser must be able to justify all their arguments.
   Question 2: Is my communication offering an argumentation in line with reality and representative of it? The message must be expressed correctly and be proportionate to the scale of the actions of the advertiser and the product properties.
   Question 3: Is my communication clear, is it fair?
   Do not assume exclusive or unique properties when those of competitors would be analogous or similar. Do not rely on exclusive properties when they are imposed on all by the law regulations. Be precise if the characteristics of the product or brand are valid only in a specific context. Cite sources. In the interest of transparency,

accept that the product is not perfect and recognise that room for improvement is still possible.

Question 4: Have I correctly used words, labels or logos with a strong 'sustainable' connotation, such as 'eco' or 'organic'?

Use these kind of labels or logos if and only if the origin is clearly indicated, without any risk of confusion concerning their signification.

Question 5: What tone do I adopt in my communication?

No tone or mood should be banned (serious, humorous, sensible, rational, etc.). Avoid all representations of behaviour contrary to the protection of the environment, or working conditions contrary to human or social rights. Do not generate irrational or unfounded fears.

Question 6: Does my communication respect cultural diversity without stigmatizing or stereotyping certain populations?

Question 7: Is my communication acceptable and understandable? Some topics are complex and difficult to explain in a short format. Do not use short cuts and do give the necessary explanations to the public.

Emotional abuses

An important issue is how the advertiser treats the consumer.

Tissier-Desbordes (2011) denounces the abuse of the use of emotion in advertising. Holbrook and Hirschman (1982) demonstrated, in opposition to the dominant model based on consumer choice focus on the beliefs in the attributes of the product, the existence of a hedonic, emotional and experiential consumer. The rationality of consumers has been compromised and emotion was introduced into the communications, driving the main message, with the presentation of the product fading more and more in favour of a lifestyle, even the creation of an image completely disconnected from the product itself.

Emotions are used repeatedly as a tool for persuasion, creating a strong impact (and later recall) at the time of communication. Whether it is sadness, joy, surprise, fear, or (less frequently) anger, or disgust, emotions are often at the forefront and are more and more frequently used to convey messages with ethical connotation and 'suggest' sustainability or proximity to the consumer. In this

way, some CSR reports or websites will use pictures that arouse emotion, such as faces of smiling children, views of nature in the early morning, a picturesque and fictional family farm, or teams joining hands.

Beyond the use of emotions, which can sometimes be likened to a manipulation of the consumer, it is important to consider how the brand affects the consumer through its communication processes. It is imperative to avoid infantilization or condescension, to allow consumers to take into account potential problems, to fully understand complex situations, to leave them the opportunity to remain the master of their choices, to speak to them in a transparent way, and to emphasise well-being in the short and medium term.

In this case, we can finally speak about ethical communication, using the term according to its etymological meaning: that which leads to reason based on the well-being of the group, right versus wrong actions, virtuous versus non-virtuous character, by establishing through communication a real moral contract with consumers and giving them a brand's personal moral vision.

A final point highlights the importance of overall consistency of the whole communication function to stakeholders of the company, because we can be, at different moments, at different places and times, client, consumer, supplier and employee.

Finally, it is interesting to remember three CSR communication strategies developed by Morsing and Schultz in 2006. If the consumer is fully considered a stakeholder of the company, defined as 'any group or individual who can affect or be affected by the activity of the company', the authors stress the three types of possible strategies:

- The Stakeholder Information Strategy
- The Stakeholder Response Strategy and
- The Stakeholder Involvement strategy.

The main differences between the three strategies are linked to the different degrees of interaction between the consumer and the brand (from one-way communication to symmetrical two-way communication), the integration of meaning in the content (from 'sense-making' to 'sense-giving'), and the co-construction of messages (from the brand alone to a progressive integration of the consumer's ideas).

Conclusion

In conclusion, a final quote seems appropriate in this chapter: 'ethics will never be stated in the form of answers but as questions' (Moussé, 2001).

In any case, communication cannot be truly developed today without establishing a 'moral contract' with the consumer, who provides clearly both the information and values conveyed by the brand. But the company should not 'denigrate' this elsewhere. The communication has to be coherent and full of sense. The ready access to information which consumers now have gives them the opportunity to crosscheck sources and identify inconsistencies in any communication, not only within ads for the same brand (in time or in different media) or the same company.

Yet it is possible to find new areas of communication expression, deepening the brand values and developing a coherent, pedagogical (but not pedantic), informative (but not too technical) communication, giving the consumer the opportunity to make an informed choice, but keeping the communication effective and possessing a real soul.

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6
Is advertising targeting vulnerable consumers in China?

Ling Fang Fayol-Song

Introduction

Being an emerging economic power in the world, China is attracting more and more attention from companies wishing to conquer the market and achieve success there. One of the key success factors is to have a deep understanding of local customers in terms of their attitudes, values, perceptions and consumption patterns.

Chinese women, especially those in large urban areas, play an increasingly important role in the Chinese economy. During the last two decades, China's rapid economic growth has allowed women to have greater access to education, better employment opportunities, and ultimately an increased level of economic freedom because of the steady growth of their income. As a result, the purchasing power of the Chinese woman has dramatically increased. During the period from 2001 to 2005 average female disposable income rose by close to 50 per cent to €365 (¥4,264) a year (Euromonitor, 2007). This trend of increase will continue in the coming years. According to Mastercard estimates, the total purchasing power of Chinese women is likely to rise from €233 billion in 2005 to €370 billion in 2015 (METAN Development Group, 2009). During the current global economic slowdown, while their peers in the US have cut back on spending in the recession, Chinese women are spending more than ever before (Rein, 2009). 'Chinese female consumers are shaping the consumption landscape in China to such a degree that companies need to have a profound awareness of who these consumers are and what their needs are', commented David Lung, Partner,

Retail & Consumer Products Practice, Ernst & Young (METAN Development Group, 2009).

However, this important consumer segment remains little understood in the West. Many Westerners, even in the retail sectors, still have an obsolete image of Chinese women: submissive, reserved, and economically dependent. Consequently, not enough research has been carried out in the field of women's consumption habits in China and the influence of advertising. This chapter looks at the consumption patterns of Chinese women on products for their own personal use, excluding those purchased for the family. We explore what types of products Chinese female consumers choose, what their choice criteria are in making purchases, how much influence marketing messages have and how much they spend.

Overview of Chinese women's consumption

A survey carried out by GE Money, reported in the Mailonline revealed that British women typically make an average of 301 shopping trips per year, lasting a total of 399 hours and 46 minutes. On average, women will spend more than eight years of their lives shopping. Even more impressively, women make more purchases for their personal appearance than for food. They dedicate an average of 84 trips to buy food but 90 trips to hunt for clothes (30 times), shoes (15 times), accessories (18 times), and toiletries (27 times). Arguably, British women are highly experienced at shopping and typical of other Western women (Mailonline, 2006).

In China, during period of the Mao Zedong (1949–76), especially the period of the Cultural Revolution (1966–76), make-up and fashion were considered sheer decadence. The 'revolutionary beauty' style advocated at the time was unisex: the gray Mao suit, army uniform and short hair. Make-up was simply forbidden. The opening of China to the West from 1978 put an end to the idea of homogenization of the sexes. Consequently, the market consisting especially of cosmetics and apparel has witnessed fast growth in China.

Cosmetics consumption

China is now the eighth largest cosmetics consumer in the world. The beauty and cosmetics industry is ranked the fourth largest consumption sector in China – after real estate, cars and tourism. The total

current value of China's beauty and cosmetics market is ¥42 to 46 billion (€5–5.5 billion). Over the last five years, it had an average growth rate of 20 to 25 per cent per annum (*Women of China* English Monthly, June 2006). In 2008, China's cosmetics and toiletries market saw double digit growth in current value terms (Euromonitor International, 2009). According to estimates from the China Association of Fragrance, Flavor and Cosmetics Industry (CAFFCI), sales revenues were expected to reach ¥300 billion (€36.2 billion) by 2010 (*Women of China* English Monthly, June 2006). A French cosmetic maker conducted a survey in Shanghai recently, finding that the average woman in Shanghai uses no less than 20 different cosmetics every day, the highest figure in the world. They spend about 20 per cent of their income on cosmetics (Chinanews.cn, 2006).

China is also becoming one of the most important markets for premium cosmetics, breaking into the global top 10 in 2004, with sales totalling €1.3 billion (¥10.5 billion) in 2006. It ranks among the world's five fastest growth countries for this market (Euromonitor, 2007). Cosmetic brand awareness in China has been established successfully because of the presence of international companies. The leading brands include P&G, Unilever, L'Oréal, Henkel, Shiseido, Wella, Revlon, Chanel, Lancôme, Yue-Sai, Dior, Estee Lauder, Maybelline, Vichy and so on (Perrin, 2007).

However, despite the dramatic increase in sales, it is a market that was almost non-existent 15 years ago, and about 70 per cent of it remains to be developed (Shen Yan, 2006).

Clothing and accessories consumption

In parallel with cosmetics, the apparel market is also soaring. The retail sales in the entire China market in 2007 reached €2970 billion, with clothing contributing €150 billion, according to official figures by the National Statistics Bureau. Kurt Salmon Associates forecast that by 2020 total clothing consumption of China will be about 120 per cent of that of Japan, from the current (i.e. 2009) level of about 10 per cent of Japan (Zhao, 2009).

Chinese urban consumers' clothing expenses are growing even more quickly in conjunction with faster disposable income growth. According to Gallup geographic analysis, the urban market was much more important than the rural one. Urban residents have a higher income and also are more sophisticated in making purchasing

decisions than the rural people (Zhao, 2009). Moreover, the research of Li et al. (2004) indicates that consumption trends are different for Chinese consumers living in different regions. The comparison between four large Chinese metropolitan areas, Beijing, Shanghai, Guangzhou and Chongqing, shows that, being the leader in apparel consumption, Shanghai dwellers are most concerned about fashion styles and brand names, and least concerned about discounts when making purchasing decisions about clothes. But what they all have in common is that their expenditure in apparel will continue to rise (Li et al., 2004).

Restaurant consumption

Unlike in the Western world, where women practise a variety of activities outside work and family, such as sports, cultural activities, frequenting pubs, and so on, for most Chinese women their activities are relatively limited because of their culture and traditions. Besides shopping, another activity favoured by most of the Chinese women turns out to be eating out with friends (METAN Development Group). They spend a tremendous amount of time socializing around the table at restaurants or at coffee shops.

Traditionally, Chinese people always give important attention to eating. 'There is nothing more important than eating' (民以食为天) as Confucius put it. That is the reason why Chinese cuisine has achieved such a great success worldwide due to its rich variety, delicious taste and attractive presentation.

Chinese people love eating out at restaurants. Between 1991 and 2007, restaurant industry sales in China rose 22.3 per cent annually on average. The growth rate was 7.2 percentage points higher than that of total retail sales (www. chinaview.cn, 2009). Identified as a driver of domestic consumption, since it could support industries such as farming, livestock breeding, food processing, construction, manufacturing and vocational training, the catering industry is strongly supported by the Chinese government. It wants the restaurant and catering industry to achieve a yearly average growth of 18 per cent with a goal of ¥3.3 trillion (about €361 billion) in sales by 2013, according to guidelines released by the Commerce Ministry (Idem).

According to the Report of Chinese Restaurant Industry of 2008, the retail sales of the industry increased from ¥5.48 billion in 1978 to ¥1235.2 in 2007, an increase of 225 times. The consumption per capita

has grown from ¥5.69 in 1978 to ¥950.15 an increase of 166 times (Liu Dahua). In 2008, the per capita consumption of the industry reached RMB1158.5, driving the total retail sales of consumer goods up 3.41 percentage points, with 15.83 per cent contribution rate to the growth of total retail sales of consumer goods (Xinhua, 2009).

Concerning female consumption, recent statistics show that women spend almost the same as men when they dine out. On average, women spend ¥219 each time while men spend ¥221. Apart from this slight difference, women differ from men in their choice of restaurants. Women are choosier in the taste of dishes and the environment of the restaurant while men are more exigent about services. For restaurants of the same category, 44.5 per cent of women give priority to restaurants where there is a promotional activity. In Shanghai, 22 per cent of female consumers prioritise restaurants enjoying a high popularity (china.cn.com, 2010).

Coffee consumption

China is a country of tea, both its cultivation and consumption. The Chinese have enjoyed drinking tea for millennia for it is considered beneficial for health. Coffee drinking is more recent as, for a long time, coffee had a negative image in the country. From the point of view of Chinese traditional medicine, coffee produces toxicity to the body and burns out the adrenal glands. As a result, coffee drinking was unpopular till recently.

The market opening policy has exposed the country to Western influences including coffee consumption. As a Western concept, most Chinese consumers associate coffee drinking with Western (equated with luxurious) lifestyles. The Chinese returnees and foreign expatriates working in China also helped the spread of coffee consumption in the country. Coffee consumption has been increasing year on year. The total volume sales of coffee in China grew by nearly 90 per cent between 1998 and 2003, to 6,504.5 tonnes (Lee, 2004).

According to Lee (2004), coffee consumption in China is highly concentrated in large cities such as Beijing, Shanghai and Guangzhou. Coffee appeals to adventurous, open-minded, young, affluent, urban consumers. These consumers are more exposed to Western influences and tend to look up to and desire to emulate Western lifestyles.

The number of potential coffee consumers in China is estimated between 200 million to 250 million. It is equivalent to that of the

United States, the world's largest coffee market. Chinese women represent 44.9 per cent of the total coffee consumers (Mission Economique de Pékin, 2002).

Empirical research in women's consumption behaviour

In order to gain a deep and intimate knowledge of Chinese women's consumption preferences and behaviors concerning the products of their own personal usage, this research employs a qualitative methodology using semi-structured interviews.

The sample consists of eight Chinese women. Eight individual interviews were conducted, each of which lasted for one and a half hours on average. The sample was not random. Three criteria were established: geographic zones (residents of Shanghai, Beijing and Guangzhou), income (from ¥8 000 to ¥15 000), and age (from 35 to 45 years old).

Geographic zones

China is known as a country with significant regional economic discrepancies. Women's purchasing power and consumption patterns differ a great deal in different regions as, naturally, does their ability to be reached by advertisers. In order to have a more accurate knowledge about a specific segment of Chinese women consumers, our research concentrates on those residing in Shanghai, Beijing and Guangzhou, three of the largest cities in China. Situated in the most economically advanced zones in China, these cities play a leading role in the development of the Chinese economy.

Income

Taking into consideration the large and growing income gap between affluent consumers and those of low income, our research chose middle class female employees as the sample of the investigation. However, definitions of middle class vary. In term of income, according the report of Monitor Group (Song and Cui, 2009), China's middle class is defined as those earning $6,000 to €25,000 per year. For us, this range is too large to be representative, especially at the lower end of the range. Our research focuses on those whose monthly income – declared and undeclared – ranges from 8,000 yuan to 15,000 yuan (€12,000 to €25,000).

Table 6.1 Sample profile

Interview #	City of residence	Age	Income	Marital status	Occupation
1	Shanghai	37	8,000	Married	Engineer
2	Shanghai	40	9,500	Single	Doctor
3	Shanghai	42	14,000	Married	Marketing manager
4	Shanghai	37	9,500	Married	Professor
5	Beijing	35	12,000	Married	Production manager
6	Beijing	40	15,000	Married	Dentist
7	Beijing	45	8,500	Divorced	Professor
8	Guangzhou	38	15,000	Divorced	Lawyer

Age

Age is another important indicator that differentiates spending patterns significantly. A young woman of 25 years old usually does not have the same purchasing preferences and activities as a woman of 40. Moreover, women aged from 35 to 45 years old have a higher purchasing power, and they are more sophisticated in making purchasing decisions. So we chose this segment as our target of investigation.

Table 6.1 summarises the personal characteristics of the sample.

Results and discussions

The interviews we conducted focused on four aspects: what are the personal products that Chinese women buy? What are their criteria in making choices and how much are they influenced by marketing communications? How much do they spend on these products? To what extent do they feel that advertising luxury products to middle-class consumers is unethical? We try to find out the current situation and predict the future evolution.

Top items bought in the past year

When our interviewees were asked to name the top three personal items they had bought in the past year (in terms of money spent), a list of eight items was revealed: cosmetics, clothes, handbags, cell phone, restaurants and coffee shops, trips abroad, cultural entertainment

(concerts, theatres, ballets, etc.), and sports (gym, dances, swimming, playing badminton) (Table 6.3).

The following table indicates the number of references given to each of the eight items.

All interviewees without exception mentioned cosmetics as one of the top three items they bought for themselves. Restaurants and coffee shops rank as the second most consumed item; 4 out of 8 people mentioned it. On average, they go to restaurants with friends twice each week, spending between ¥100 and ¥150 (equivalent to €12–18) each time. Drinking in a coffee shop (not necessarily coffee) is also

Table 6.2   What are the top three items that you have bought in the past year?

Interview #	Occupation	Top 3 personal items bought
1	Engineer	Trip abroad; Cosmetics; Cultural entertainment
2	Doctor	Sports; Cosmetics; Clothes
3	Marketing manager	Restaurants & coffee shops; Cosmetics; Cell phone
4	Professor	Cosmetics; Clothes; Sports;
5	Production manager	Cell phone; Restaurants & coffee shops; Cosmetics
6	Dentist	Handbag; Cosmetics; Restaurants & coffee shops
7	Professor	Trip abroad; Cosmetics; Cultural entertainment
8	Lawyer	Cosmetics; Restaurants & coffee shops; Handbag

Table 6.3   Number of references for each item

Item	Number of purchases
Cosmetics	8
Restaurants & coffee shops	4
Handbag	2
Clothes	2
Trip abroad	2
Sports (gym, dancing, swimming, playing badminton)	2
Cultural entertainment (concert, opera, ballet)	2
Cell phone	2

a regular activity. They do it either with friends or alone when they need to take a rest during shopping. Their favorite place is Starbucks. 'It looks smart, and I feel comfortable inside', as one of them put it. However, none of them mentioned the pub or nightclub as a frequent place of drinking. For most of Chinese women, they go to these places only on some special occasion such as get-together with ex-classmates or colleagues, and never alone.

Handbags as a kind of accessory were given a separate category from clothes. Chinese women pay at least the same attention to handbags as to clothes, if not more. Those who didn't spend so much on clothes and handbags in the past year explained that since they had already got quite a lot of clothes and so they had slowed down purchasing. They tended to buy fewer but more expensive clothes, strongly influenced by advertisements promoting the 'latest thing' and the idea that to be trendy one 'must have' it.

Our research revealed some expenses that have not been much cited in the literature: trips abroad, sports, cultural entertainment, and cell phones. These expenses show a new trend and evolution in women's consumption.

The increasing purchasing power and improving sophistication in making purchasing decisions make Chinese female white collar employees pursue a higher level of satisfaction than simply the utilitarian. They are eager now to open themselves to cultural discoveries. Two of our interviewees travelled abroad in the past year: one to Western Europe (five countries during fourteen days: France, Belgium, Luxembourg, Holland and Germany), and the other to Japan and South Korea (five days in two countries). 'At the end of the year, I got a bonus of ¥50 000 (€6,000). To reward myself, instead of buying myself a Louis Vuitton bag as some of my friends have, I chose to travel abroad with two of my best friends', said one woman. In parallel, going to the theatre, listening to concerts and seeing operas are also becoming a new fashion of consumption. The university professor mentioned, 'Of course I pay a lot of attention to my appearance for I am constantly before my audience: the students. So clothes and cosmetics are important for me to look good. However, I also need to enrich myself to make me feel good inside. Traveling abroad and going to concerts and operas are the best way to improve myself'.

Comparatively, Chinese women practice fewer sports than Western women. But nowadays, concern over health, especially keeping fit,

motivates middle class women to resort to different kinds of physical activities such as gym, dancing, swimming, and playing badminton. They usually play sports in clubs. One of our interviewees paid annual membership as high as ¥8,000, and the other ¥5,000, going to the club once or twice each week. Even if it is expensive as a way to play sports, 'I think it worthwhile', said one woman, 'The conditions in the club are nice and comfortable: beautiful decoration, soft music, refreshing snacks, nice coaches, personalized services as well'. 'It is also a good way to make friends with interesting people,' added another.

For cell phone consumption, as a general rule, Chinese people change cell phones more frequently than Western people because they are very sensitive to novelty and high technology. For the Chinese, a cell phone is not simply a machine to make calls but a status accessory, like a watch for men and jewelry for women. Two of our interviewees paid ¥6,500 for an iPhone last year.

Criteria of choice

In terms of choice criteria, our research reveals that brand names and the country of origin play a very important role and that these are the direct result of information acquired from advertising. The importance of these two aspects also depends on the category of products. Quite surprisingly, price is not referred as a criterion. If they really want the product, the price is not a consideration. They may cut back on other expenses in order to pay high prices to get what they think is important and worthwhile.

For cosmetics, all of our correspondents prefer foreign brands to Chinese ones: two of them name French brands such as Dior, Chanel and Lancôme, one chooses the American brand, Clinique, three prefer Shiseido, a Japanese brand, and the other two use a combination of different brands such as Chanel, Clinic and Laneige (Korean brand). The reasons for their choices are related to the image of country, as promoted through advertising media and the effectiveness of the products.

France is recognised for its good reputation in cosmetics and perfume while Japanese and South Korean cosmetics are considered to be more suitable for Asian skin. Other products that are country sensitive for our interviewees are handbags and cell phone. All the favourite brands preferred are foreign: Louis Vuitton, Prada and

Coach for handbags, Nokia, Samsung, LG, and Motorola for cell phones as well as the Apple iPhone.

Concerning travel abroad, our interviewees are more interested in developed countries such as Western Europe, USA, Japan and Korea. Travel is more for discovery and for shopping for famous brands than for relaxing. That is why a package of visits to several countries within a short period achieves great success.

The restaurants are the least sensitive to country of origin effects. Chinese restaurants remain the first choice for our interviewees. It may be that they go occasionally to Western restaurants, maybe once every two or three months. Moreover, the referred Western restaurants are often fast food restaurants such as Pizza Hut and KFC rather than real Western restaurants. The reason is related more to taste than to price. Western cuisine is so different from the Chinese that people find it difficult to adapt to it.

For coffee shops, Starbucks is certainly a reference. They go to coffee shops not necessarily to take coffee but also for other soft drinks such as tea, fruit juice, and so on. What matters is not only the taste of the drinks but also the environment: decoration, comfortableness and service, which are where the status of the brand resides.

So far as cultural entertainment is concerned, our interviewees prefer Western classical pieces for concerts, operas and ballets. Carmen, Marriage of Figaro, Swan Lake, Beethoven and Chopin are among their favourites. They sometimes attend pop concerts by well-known foreign singers or bands. One of the interviewees saw a performance of Patricia Kass, a French singer, in Shanghai.

When buying clothes, brands seem less important than the places where the clothes are bought. Because of the extremely large variety of foreign and Chinese brands presented in the Chinese market, people are often confused about the origins of the brands. To judge the quality and prestige of the brands, they use the outlets as a criterion. Instead of asking which brand your clothes are, they ask in which shopping mall you bought your clothes. Significantly, despite (or perhaps because of) the huge industry in producing fake designer clothing and handbags in China, middle class consumers insist on paying the higher prices for originals, as the status resides in the authenticity of the item.

Regarding sports, so far, few foreign teams exist in China. So the country of origin is not a criterion. Instead, the reputation of the club and the ease of access by car and metro are considered important.

Table 6.4   What percentage of your income do you spend on your personal products?

	City of residence	Age	Income (month/¥)	Occupation	No. of children	Percentage
1	Shanghai	37	8,000	Engineer	1	25%
2	Shanghai	40	9,500	Doctor	None	35%
3	Shanghai	42	14,000	Marketing manager	1	25%
4	Shanghai	37	9,500	Professor	None	30%
5	Beijing	35	12,000	Production manager	1	25%
6	Beijing	40	15,000	Dentist	1	35%
7	Beijing	45	8,500	Professor	1	20%
8	Guangzhou	38	15,000	Lawyer	None	40%

Percentages of income spent on these products

The following table summarises the percentage of income that our interviewees spent on their personal products, from 20 to 40 per cent (Table 6.4). The difference is particularly related to the whether they have a child or not. The three interviewees without a child all revealed expenses above 30 per cent, while only one with a child spent above 30 per cent. On average, our interviewees spent 29.4 per cent of their income for their own use.

When they were asked whether they intended to increase, decrease or maintain their spending for the next years, five of the eight expected to maintain the same spending, three intended to spend more, and nobody had the intention of decreasing her expenditure. Nevertheless, even if the same percentage is maintained, the sum of money to be spent will surely increase, for all of our interviewees are expecting an annual salary increase, ranging from 5 to 15 per cent.

Conclusion

Our empirical research shows current spending realities and also some important new trends concerning urban Chinese female consumers' spending patterns for their personal usage.

Apart from the usual spending on cosmetics, clothes, handbags and restaurants, which are universal for all women in the world, Chinese women are increasing their expenditure on some items which have not yet been revealed in previous research, such as travels abroad,

cultural entertainment and physical activities. In terms of their choice criteria, the country of origin has an important effect for most of the products. However, for restaurants, it is difficult for foreign cuisine to compete with Chinese, for local people definitely prefer their own food preparation. The research also reveals that our interviewees are optimistic and confident about the future for none of them intend to decrease their spending for personal usage.

With increasing purchasing power and improving sophistication in making purchasing decisions, Chinese white collar females' buying behaviours are constantly evolving. Taking the example of travelling abroad, a new consumption phenomenon, so far the traveller's main purpose has been simply to discover foreign countries. Consequently, the business opportunity for travel agencies lies in offering a package of visits to several countries within a short period. But this preference won't last long. After the discovery stage, people will be more interested in taking more time to explore more deeply one country each time. One of our interviewees, who travelled to five Western European countries within two weeks last year, commented, 'It was very tiring and confusing. Now when I look at the pictures I took during the trip, I don't even remember where I was, in Brussels, or in Luxembourg'.

When our interviewees were asked about their desires from the companies that provide the products and services they need, they mentioned more brand information, more product varieties for established brands, more relaxing travels abroad, and more opportunities to watch performances given by foreign first-class actors and musical groups.

When asked whether they felt that advertising unfairly targets middle-class women and encourages them to spend more than they should in order to obtain luxury Western goods, none of the interviewees agreed. However, in further discussion they made a strong distinction between ads produced by Western advertising agencies and those produced by domestic agencies. Several of them mentioned that they find Western ads more entertaining, rather like watching a Western film, because they typically present a Western lifestyle. While that may be attractive to many consumers, it does not correlate with the lifestyle that our interviewees lead now or wish to lead. On the other hand, modern Chinese advertising tends to reflect more the Chinese way of life; the stable, perfect family living in harmony. These findings corroborate the results of an earlier study by Hung, Li and Belk (2007) for the same age cohort.

When questioned about how they make a consumption decision in favour of Western brands such as Dior or Louis Vuitton, all of them agreed that they pay attention to the advertisements but do not reach a decision until they discuss it among their friends to ensure that it is the 'correct' trend to follow.

Although there have been a number of examples of advertising mistakes made by foreign firms in China, such as Toyota (Li and Shooshtari, 2006), up until now there has been no specifically Chinese code of advertising ethics, although there is an advertising law. As recently as April 2011, an industry-wide code was adopted. This code includes the following points related to ethics and values.

The Code is based on the law; however, it goes beyond the law and serves as professional ethical standards and self-regulation rules. It is not only an economic Code but also the requirement and reflection of the harmonious development of society. The Code and other laws complement and support each other to promote the healthy development of marketing communication.

> Marketing communication should be distinguishable as such; legal, honest, truthful and decent. It should comply with good traditions of Chinese society, cultural norms and morality and show respect for different ethnicities, religions, genders, sexual orientation and vulnerable groups. The content of marketing communication should not encourage vulgarity, play on superstition, or promote unlawful or anti-social behavior, and should not be harmful to state and public interests. (AdAge, 13 April, 2011)

In conclusion, in order to seize business opportunities in the Chinese market, companies need to undertake regular and frequent marketing research to better understand the constantly evolving customers' needs and wants. At the same time, marketing communications must respect the unique cultural and social aspects of female Chinese consumers.

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7

The ethical paradoxes of tourism

Philippe Callot

Introduction

It would appear that tourism has lost its meaning. For some it is synonymous with free time, leisure and *far niente* or idleness, for others it signifies economic hope; but the purpose of tourism was never meant to amount to the production of people travelling in an anonymous mass. However, this is what we have achieved and with the tangible results there for all to see. The increasing number of methods of transport (ever growing in size, such as the Airbus 380 or the floating palace ferries) and types of accommodation, growing to huge proportions, have helped to establish this era of mass tourism. Where it was Benidorm and Las Vegas yesterday, Saida and Dubai have now taken over as the materialization of the tourist landscape, the new theme parks, and true artificial paradises. We introduce here the term 'aporia'. The aporias or 'logic' problems with no solution (the most famous of which is probably when a Cretan declares that all Cretans are liars) are multiplying everywhere and among the players on a path that was promised to lead to such a bright future.

Ambivalence surrounding the geography of tourism

Climate change and its impacts, whose detailed hypotheses are greatly feared, raise in particular the question of alterations to coastlines. Where today every other person lives in an urban environment, these climate disruptions will lead, in the short term, to the displacement of hundreds of thousands of people. There are already

several tourist destinations that are deeply concerned about the danger of rising waters (such as Fiji, the Maldives, Thailand and so on).

Technical progress 'turns us into a new species of deportee leading straight not to extermination through genocide, but to geocide' (Virilio, 2009). This could be interpreted in the sense that the revolution in transmission mechanisms, together with transport facilities, are leading towards a planisphere that could become a substitute for the five continents. 'Going to see other places and watching the advances [...] of this alternative movement seem to be notions that are constantly accelerating between the urge to travel to exotic destinations and the deportation of those rejected in this form of globalization that is terminal and no longer inaugural' (Virilio, 2009). Such are the parameters of all that is brewing up in the beacon tourist destinations. 'The exoticism of misfortune thus meets up with the exoticism of tourist happiness' (Virilio, 2009).

How should this new order of events be approached?

How can an invention of something without utility (Boyer, 1999), tourism, be discussed when populations are being uprooted to form tribes of nomads searching for a home? Where can they go? What can we do to meet the needs of this 'surge of almost a billion exiles who cannot be decently re-housed by anyone in less than half a century' (Virilio, 2009)? Where our population was 1.5 billion in 1900, it will be six times that in 2050. These billion exiles equate to ten thousand towns of 100,000 inhabitants in each. How can this equation be solved?

These so-called modern times have phases of population movements. The roots of the causes change, but the consequences are practically the same. 'Deportation yesterday, delocalization or exclusion today; there is a profusion of semantic terms to describe, if not an exodus, at least enforced exile' (Virilio, 2009).

Some of the lost paradises in the ultimate *terra incognita* will become accessible tomorrow because of these transport capacities (low cost or large capacity craft) and the combined efforts of adventurers, followed by travel agencies in search of novelty destinations. Pollution, terrorist attacks and disease add a dimension of risk to tourist resorts, now added to by the dangers linked to climate change. Transcending geopolitics, this is now a question of aeropolitics (Virilio, 2009). Unfortunately terrorism is a clear example of the meaning of countries

at risk when tourism is being discussed. The aim of the terrorist attacks, according to some, is to 'cut the ties of reciprocal dependency uniting the Muslim Arab world and the West' (Dénécé and Meyer, 2006).

Hence 'catastrophes cover more areas than they did previously', but the authors of another study on this topic quickly qualify that 'we are gradually becoming accustomed to a certain degree of fear that is rising without us being really aware of the fact' (Babou and Callot, 2007). Is high risk tourism becoming the latest trend that must be followed? This is where we should learn to ask questions of ourselves.

Reasons for doubt

For some, these reasons are clearly identified. 'Four calamities are pressing down on the entire planet: economic development, spiritual entertainment, mass tourism and generalized defiance' (Bardolle, 2008: p. 19). Apart from an awareness that seems to be becoming more acute, these highly controversial remarks put at risk the *a fortiori* hedonistic economic package that led to the expansion of tourism. Hence, with proven climate warming leaving absolutely no room for doubt, it is not 'a natural catastrophe but an anthropological catastrophe' (Lebeau, 2008: p. 206). It is the *geocide* mentioned by Virilio, 'the exhaustion of the geo-diverse resources of planet Earth' (Virilio, 2009: p. 29). Sharpley confirms: 'As a major global activity, tourism consumes resources, creates waste and requires significant infrastructural development' (2009: p. 65). For his part, Diamond evokes the hypothesis of an ecological suicide called *ecocide* (Diamond, 2006: p. 18). We have to change! But in this respect yet again it is doubt that prevails. For some, changing the addictive behavior of consumers is a delusion. Indeed, there cannot be 'any chance of the genetic bases of human behavior transforming in the foreseeable future' (Lebeau, 2008: p. 227). Moreover, some authors have highlighted the limitations of each group in society when it comes to taking (or not taking) decisions and of simply acting:

> The inability to anticipate a problem before it arises, the inability to resolve, or even to attempt to resolve a problem when it surfaces, the inability to realize that there is a problem when one is

present and, finally, the maintenance of a system of social values that are ill adapted to the new situation. (Lebeau, 2008: p. 185)

Here we find characteristics of both limited rationality and of the Titanic syndrome. Dupuy describes the individual as being restricted 'by his ability, his habits and his reactions [...], restricted by his values and the objectives that direct his decisions [...] Finally the individual is restricted by the scope of his knowledge of elements relating to his work' (Dupuy et al. 1989: p. 26). The tale of the Titanic, being more than a metaphor but above all an example not to be repeated, shows the importance of cognitive tendencies in collective and individual reasoning. Because the cognitive ability of each individual is limited, he/she may not have an understanding of all the possible options. 'It would appear that, when possible solutions to a problem are being considered, this is done sequentially (the solutions are considered one after the other rather than simultaneously) until a satisfactory solution is found (and not the best possible solution)' (Dayan, 2004: p. 103). Because, out of 89,000 similar ocean crossings, only 13 collisions had been recorded and these without any casualties at all, the crew of the infamous liner refused to consider the messages suggesting they change their course or reduce their speed. The rapidly developing events surrounding climate change (rises in temperatures, CO_2 emissions, etc.) bear an uncanny resemblance to this fateful journey.

The 'rampant normality' (slow developments that are not perceived by humans) leads to landscape amnesia (Diamond, 2006: p. 659), persistence in errors, unwillingness to do anything, refusal to accept the evidence, reasoning through analogy, an illusion of correlation and a lack of mental agility leading to the use of solutions from the past (and instantly preferred), are examples of cognitive tendencies reflecting our restricted rationality. Another reason for doubt is our relationship with risk. As the organisers plotting geocide and ecocide, are people no longer frightened of each other? While we are fearful of cataclysmic events, it would appear that where humans are involved – conflicts, wars, terrorist attacks – as tourists they do not hesitate to take the side that will present no risk to themselves. Irrationality is at its height with actions that they are involved in. This is a new and highly significant aporia. The pirate raids off the coast of Somalia, the hostage taking or tourist attacks

in Yemen, Pakistan or Niger, the political tension (Iran, Thailand) or the presence of terrorist groups with the occasional attacks (9 killed in Jakarta in 2009 after Bali in 2002 with 202 dead) all testify to this paradoxical attitude. Fear is expressed for known climatic occurrences (hurricanes, cyclones, flooding, fires, etc.), but less for the consequences relating to human actions. In the case of global warming, what should our attitude be? In the eyes of tourists, the routine nature of these risks has become bearable (Dénécé and Meyer, 2006). The market will therefore become accustomed to potential risks; will it get used to the risk of geocide or ecocide? Herein lie the principles of consented sacrifice so cherished by Virilio.

The paradoxes of water

As we are reminded, 'saturation and pollution, extinction, exhaustion: these are the three great man-made mechanisms that alter the environment' (Lebeau, 2008: p. 79). Water and the way it is squandered in areas without it, is among the greatest offenders of ethics in the name of tourism. Can the 'resorts', complete with golf courses and monstrous levels of consumption make any sense when a quarter of the world population has no access to drinking water? A building boom in Spain, coupled with climate change and pressure on farmers to produce more water-intensive crops, has created water shortages of such catastrophic proportions that a black market for water is raging (CSIS, 2008). Tourism in the Mediterranean alone represents 32.5 per cent of the world's tourist destinations. The waters associated with heliotropism are the motivation for these tourist flows, which have an effect on urbanism, since 40 per cent of the 46,000 km of coastal land is developed and its population density is three times higher than in the inland region. In Sousse (Tunisia), water consumption has reached 1,000 litres per day in the tourist complexes. The Tunisians themselves consume 27 litres per person per day. Unfortunately there is one permanently established rule when considering tourism: no water, no tourism! Indeed, overconsumption even forms part of the tourist symbol. Plans for new Moroccan resorts promote this rare commodity, to a targeted and often affluent, unappreciative public. All this is derisory luxury in comparison with the real stress felt by the locals through lack of water.

'Tourism, yes, but not always and not everywhere' (Lozato-Giotart, 2006) should be considered the wisest precaution. Are we ready to make these sacrifices? Some would recall that, 'by comparing a resource considered to be stable with demographic projections, the United Nations has reached the conclusion that in 2050, 42% of a population of 9.4 billion will be facing a chronic water shortage'. As for the fourth Millennium Development Goal (MDG), reduction of the child mortality rate, the United Nations Development Program reminds us that '1.8 million children under the age of 5 years die each year through diarrhea caused by poor water quality' (Babou and Callot, 2007: p. 123). Other MDGs respond to this water paradox: the improvement of maternal health (through better hygiene and access to clean water) or, more simply, the reduction of extreme poverty and hunger thanks to last chance efforts: wells, drip systems, irrigation systems of all kinds, and so on. This resource that is synonymous with life is sometimes placed at the top of the ten commandments for responsible tourists: 'you will not use water in excess (especially in countries where it is scarce) by taking too many showers, washing clothes, etc. or staying in hotels that waste water (with swimming pools or lawn sprinkling)' (Allemand, 2005: p. 193). Beyond the increasing scarcity of oil, water now appears to be the critical resource of mankind in search of equality and interdependence.

Environmental contradictions

The fourth report of the Intergovernmental Panel on Climate Change (IPCC) working group indicates that we should expect 'the deterioration of coastal conditions, for example through beach erosion and coral bleaching, to affect local resources such as fishing and reduce the value of these destinations in the eyes of tourism' (IPCC, 2007: p. 11). As a global, multi-sectoral industry, tourism is impossible to control (Sharpley, 2009: p. 66) and at the same time the planet is not a theme park (Babou and Callot, 2007). Beyond the man-made, neon creations of this name (resorts, tourist enclaves, leisure centres, casinos in the middle of the desert, urban beaches with artificial waves, etc.), our concern is even greater with regard to natural treasures. The highest mountains (climbed and litter-strewn), the most beautiful waterfalls (exploited for tourist activities), melting icebergs and disappearing coral reefs are a few examples of conquests and therefore

encroachments of expanding tourism. In this case, tourism is a lifestyle; depending on how interesting it appears as material for the travel organisers and the tourists yearning for the exotic, the place quickly becomes exploitable territory. Theme parks on the one hand or protected areas on the other both show this ambivalence with regard to the space they occupy; territory for creating a tourist area (resort, base, camp, purpose-built village, club, theme park, etc.) or a natural reserve. The possible ways of limiting these territorial marks (the term 'footprint' will be used from here) are intended to be dissuasive. For example, leaving footpaths to overgrow, requiring a tax payment, imposing spatial zoning, and implementing regulations to adapt to the environment (Lamic, 2008) are some of the methods suggested for limiting these footprints.

For each site, this will therefore lead to 'increasing regulations in order to protect the site, after having increased the number of access routes and facilities in order to enhance it […] An alternative solution could consist […] in not increasing the number of roads, tunnels, car parks, accommodation units, etc.' (Christin, 2008: p. 118). Here we have a significant paradox: to protect by creating a *ghetto* or to make marvelous sites accessible under the pretext of helping local populations. In this case, tourist groups such as wildlife-spotting groups or hunting parties will establish themselves, each time bringing with them the potential side-effects of expanding the site and creating mass tourism where originally it was exclusive.

We are seeing this drama being acted out on the principle of development, economy and employment, the perfect aporia. 'One job in twelve in the world already relies on tourism […] and all those who are and who will be tied to this industry of festive devastation will also prove to be the fiercest guard dogs protecting it' (Bardolle, 2008: p. 101). The paradox has reached its height, making tourism manna for investors. 'If the journey is philosophy, tourism is economics' (Christin, 2008: p. 36). The author exposes this democratization of tourism presented as a source of enrichment – but the real question we should dare to ask is, enrichment for whom? Virilio makes the same observations when mentioning 'the forward flow of the affluent, whose obsession with traveling and tourism is only ever the clinical symptom of a loss of perspective, a sudden feeling of disorientation' (2009: p. 26). Will this brighter period in the sector just boil down to mass consumption or the pleasure of the wealthy

few? 'Is this not what democracy is all about: the right to consume?' (Christin, 2008: p. 37). There are those who are even more categorical and state that 'we cannot rely on tourism to save developing countries, nor even to help them' (Rasera, 2005: p. 6). This hypothesis is also based on the observation that an 'economy that is only built on the development of tourism or low-skilled services condemns itself in the long term to seeing the overall standard of living drop, as is the case in Spain' (Artus and Virard, 2008: p. 58). To place such high bets on the economic future based on tourism alone contributes to the paradox of the country in question. It is necessary to diversify the economy by encouraging 'competence in many areas so as not to become reliant on tourism' (Christin, 2008: p. 105). This is a cry for help as well as a warning, a plea to eradicate the touristification of the world in places where the attractive environment is transformed into an ethnic stereotype and, above all, into money. The 'tourist devastation' described here highlights a new paradox of modern times: the carbon footprint.

Carbon footprint, tourist economy: the new paradox of modern times

The concept of the *carbon footprint* (or ecological footprint) dates back to 1996 (Rees and Wackernagel, 1996). It refers to the balance between the consumption of each human being and the resources required to supply these consumer goods (accommodation, food, public amenities, and transport). The footprint describes 'the space used by people to produce the resources required for their way of life and to dispose of their waste' (Noualhat, 2008: p. 26). This amounts to an area of 1.78 hectares per person (based on 6.3 billion people in 2009). Now, since people, or at least a proportion of the population, live beyond the means at their disposal, 'mankind's carbon footprint is the equivalent of 125% of the planet's biocapacity' (Noualhat, 2008: p. 27). This concept relates to another known element within the tourist industry, that of the carrying capacity. Both attempt to provide an answer to a question which is no longer 'how many people can we feed, but how many people can maintain their life styles and consumption levels in a way that is ecologically sustainable?' (Codur and Véron, 2005: p.168). The carbon footprint can be included in this measurement. 'In this case, it is a question of calculating each

Table 7.1 Comparison of footprints in relation to lifestyle (2000) (http://www.wwf.fr/pdf/fracturecolo.pdf)

	USA	France	Morocco	India
No. planets	5.40	2.92	0.61	0.43
HDI 2000	0.939	0.928	0.602	0.577
No. hectares	9.7	5.26	1.1	0.77

Example: The surface area required for the lifestyle of an American is 9.7 ha and 0.7 ha for an Indian. In terms of planets, this corresponds to 5.40 and 0.43 planets respectively. HDI refers to the Human Development Index.

individual's main environmental impact in terms of land occupation' (Codur and Véron, 2005: p.169). 'Man's carbon footprint can no longer guarantee the lives of future generations' (Virilio, 2009: p. 59) we are coming to the point where, in less than 9 months, people will be consuming 'all the resources that people can produce in one year' (Virilio, 2009: p. 84). We can compare the respective footprints in relation to the type of consumption (Table 7.1).

The alarm, as on board the Titanic, is ringing since this 'means that between 1950 and 2000, the arable area available to feed an individual has dropped from 0.57 to 0.24 hectares' (Lebeau, 2008: p. 73), and the author reminds us that these are known figures that have been updated by the UN. Now, humanity is the equity of the heart as stated by Confucius. By what right are these wealthy few able to sign away the good of humanity? Where is the equity, where are the ethics and, quite simply, where is the good sense in these conditions?

Reaching a conclusion

The definition of climate change given by the IPCC is as follows: it is 'a change attributed directly or indirectly to human activity that alters the composition of the atmosphere and which is in addition to the natural climate variability observed over comparable time periods' (IPCC, 2007). The poor weather and natural events that we are currently experiencing thus fall beyond 'normal' variability and are tangible demonstrations of this movement. We can distinguish the limits of our actions and behaviour that some deplore. 'We are no longer consuming, we are accumulating [...] we must find another way of saving and organizing society, a new way of dealing with our

lands' (Denhez, 2009). The iceberg is getting bigger and our ship is still travelling at the same speed. As for the principle of sustainable development, should we be tempted by economic gain to push the engines and increase the speed?

Conclusion

The paradoxes of these so-called modern times, as we have seen, are multiplying. It 'remains to be seen what routes the actions will follow, even though it is hardly sure, nor even probable, that the actions will leave room for choice' (Lebeau, 2008: p. 256).

The challenge lies in the key question 'can we attempt to conceive what the reaction of people will be to this conflict between the intentions that determine their activities and nature's reactions?' (Lebeau, 2008: p. 128). Or more simply put, how many new catastrophes do we need before we take the equitable and firm decisions that we should be taking? We have already been alerted to the iceberg, but can we change course? Do we reduce our speed (especially in the West)? Do we show developing countries another less risky route to follow? What then are the possible routes? The tourist camp, as Bardolle calls it (2008: p. 101), already has so many detractors that in fact only the timid defenders of virtuous tourism, (does this exist?) even if not sustainable (surely a contradiction in terms?), will be those, we fear, who have prospered in the past. One road to follow is through corporate change procedures. Research on ethics (in business) and corporate social responsibility (CSR), starting from scratch, are presumably elements of a reaction that are finally positive, as mentioned by Lebeau.

Once the paradoxes of tourism described here have been resolved, could they help us to achieve a 'collective conscience-free' state of mind, a feeling of serenity gained through reducing our carbon footprint and assessing and controlling our gas emissions? Carbon taxes hurried through, emergency measures, clean cars, an accumulation of charters, and labels attesting authenticity (often true), are some of the reactions to warnings from scientists and 'major protagonists'. But behind these gestures, as we fear from the current financial 'games', human nature will surely charge back in. The main fear is that, because of an addiction to growth (profits, salaries, possessions), it will be this short-term vision that supplants the challenges

of defining a sustainable outlook. So the demons of the past will raise their ugly heads. The *migratory offensive* requiring drastic flow management and the falsely natural catastrophes (since they are man-made) will demand the establishment of highly coercive rules that will bully private society out of its bulimia and use all its strength to preserve that which it believes to be essential: outdated materialism. Latent fascism is to be feared since, by confronting the poor with the rich, obesity with famine and ostentatious luxury with ever-expanding shantytowns, there could be a resurgence of corrupt powers, liberticidal approaches and continuous political tension. Gaia's revenge (Lovelock, 2006) will also be enacted through us; our planetary confinement (Lebeau, 2008) will thus have revealed all the limitations of human beings, capable of anything and of nothing, to the point of their demise (Diamond, 2006). What kind of tourism should there be in these conditions? Should we not review our priorities here and now? We should follow the logic of restrictions, coercion and banning with their wave of constraints. Will it take regulated access, carbon taxes (in a system of 'polluter pays'), the CO2 card with its educational and citizenship ideals, to finally act responsibly? People are faced with a wide choice. It remains to be seen, as on Easter Island, if man is not the victim of unsolvable problems (Diamond, 2006: p. 49) created by him. This is where the whole question of paradox lies.

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8
Marketing ethical banking

Elisabeth Paulet and Francesc Relano

Introduction

The aim of this chapter is to show the emergence of a new concept that is different from just sustainable finance: ethical banking. A typology of the different kinds of banks will thus be given, showing in each case their main characteristics. From theory to practice, this chapter will finally show that the different nature of banks proposed in the typology is reflected in their respective balance sheets. This will lead to a more precise definition of corporate governance. Obviously, a bank that does no marketing, no matter how ethically pure and transparent its operation, will never succeed. Thus, we also look at the current practices among these institutions and make recommendations for further improvement in communicating their value proposition.

The term 'ethics' has recently become almost a buzzword. One can no longer overlook the ethical dimension in all domains: politicians' actions, scientists' work, the impact of companies, and even banks and financial institutions in general. All are now concerned with the ethical impact of their transactions. The current subprime crisis has even strengthened this need 'to moralise' the international financial system. Banks across the world have faced liquidity or solvency problems. Surprisingly, during the same period, some institutions have faced this tumultuous episode relatively calmly while drawing clients away from classical banking institutions. Who are these banks? Ethical banks. How can we characterise them? One factor, among others, is that they make extremely limited use of financial markets. In effect, in a context where investors' main preoccupation

is to secure their savings, these ethical banks are actually attracting the clientele of commercial banks.

How have traditional banks reacted? From the fashionable perspective of sustainable development, and under society's pressure, they all now claim to integrate ethics into the financial sphere. Most banks, for instance, have developed new products and are now able to offer clients the option of investing in a wide range of 'ethical funds'. Similarly, most banks have special credit lines especially devoted to environmental or social issues. Some banks have even made voluntary commitments to the association Equator principles (q.v.). In doing so, banks play a proactive role alongside stakeholders in assessing and managing the social and environmental impact of the projects they finance. And yet one can still wonder whether or not all these new policies and commitments to sustainability justify considering banks as ethical institutions. For instance, is a bank like HSBC 'ethical' in the same way as Triodos Bank, an institution founded on principles of sustainability and with a mission to 'make money work for positive social, environmental and cultural change'?

How do ethical banks differ from traditional banks?

In order to illustrate the difference between the two, this chapter will begin by characterising the distinct nature of the so-called 'ethical banks' compared to traditional banks. This analysis will be led by using the banks' balance sheets to identify the specific activities of the 'ethical banks'. We will deduce from this new forms of corporate governance in this specific case.

Before the crisis the management of the banking firm was conducted by the traditional structure–conduct–performance paradigm. In this context, market concentration fostered collusion among the largest firms in the industry which subsequently raised profit to 'uncompetitive' levels. This paradigm can be summarised as follows:

According to banking commentators such as Smith and Walter (1998) and Groeneveld (1998), merger activity has been motivated by a number of factors including the desire of banks to:

• gain access to information and proprietary technologies
• increase market power
• reduce unit costs

Table 8.1 Traditional paradigm according to the authors

Structure		Conduct		Performance
Concentration		Policy objectives		Profitability
Firm sizes	→	Marketing strategy	→	Efficiency
Entry and exit conditions	←	Pricing policies	←	Product quality
Product differentiation		Research and		Technical progress
Vertical integration		development		

- realise greater scale and scope economies
- diversify risks
- extend geographical coverage
- benefit from tax advantages
- realise senior management objectives
- meet the demands of shareholders.

The argument is then: if a small numbers of banks dominate the industry, then it is easier and less costly for them to collude (whether implicitly or explicitly). Therefore the largest bank can charge higher rates on loans, pay less interest on deposits, charge higher fees and so on than compared with the situation in a competitive environment (cf. Molyneux, 1999).

However, concentration in favour of the most powerful organisms presents inconveniences for the system as a whole. The excessive emphasis on profit from the banks' and shareholders' point of view can imply risky investments. An incautious attitude adopted in order to gain rapid control over large parts of the market can lead to crisis situations, which are then only controllable by a counter-power as the lender of the last resort.

Since the crisis, the paradigm GRG (growth–risk–governance) has been privileged to describe the specificity of the banking firm. Stiglitz (1998) suggests a microeconomic focus which delimits the interrelation between the financial system on one side and the macroeconomic fluctuations and growth on the other side. In this paradigm governance is a key concept. How can we define a good banking corporate governance? Three dimensions describe an efficient corporate governance in banking questions: liquidity, innovation and the coupling of risk/profitability.

Ethical banking

Under the pressure of civil society most banks try nowadays to satisfy the customer's simultaneous demands of profitability and ethics. Unfortunately, this is just not possible, at least in the short term. Since they are not ready to renounce the dogma of maximisation of profits, they could just be engaged with the idea of sustainable finance in a rather superficial manner. Obviously, they offer to their clients the possibility of investing in a wide range of ethical funds and have special credit lines especially devoted to environmental or social issues. But, in their mind, the development of these new products must necessarily serve the main objective: more benefit. In fact, they have used the lure of the sustainable finance tendency to win new clients and to cover a new demand, and thus to make still more profit.

Contrary to this, ethical banks believe that profitability should not only be measured in financial terms but also in social terms. This means that maximisation of profit is not the only objective guiding their activities. The social and environmental added value should also be taken into consideration. So, unlike traditional banks, in the balance between profitability and ethics, they put the former at the service of the latter. In other words, ethical banks integrate ethics into the whole project of finance. Let us illustrate this point through one of the founding statements of the Alternative Bank ABS, one of the ethical banks which will be studied in this chapter:

> The Alternative Bank ABS puts its ethical principles before profit maximization and conceives its activity as an alternative to the dominant economic logic, which is the principal responsible for the worsening of ecological problems and the increase of social and economic inequalities. (Koenig and Wespe, 2005)

Indeed, ethical banks approach sustainable finance as an integral part of their overall activity and, largely, it is their 'raison d'être', whereas for traditional banks (self-proclaimed sustainable or not) the new ethical fashion is just an accessory instrument for attracting new clients and maximising benefits. Ethical banks are thus ready to accept the idea of working with narrower profit margins if this is compensated by further social or environmental added value. They are ready, for instance, to accept lower levels of financial collateral or higher costs of monitoring if the project they finance is worthy of it in social or environmental

terms. So in order to make a distinction between traditional banks and ethical banks one should not focus on the volume or variety of Social Responsible Investment (SRI) products (almost all banks issue them) but on the objectives and values: less profit, more sense.

In more practical terms, we can try to shape the contours of ethical banks taking into account their special approach as regards two different fields: first, the financial activities they promote and second, the internal functioning of the institution.

As far as the financial activities are concerned, ethical banks are typically characterised by the following:

- Ethical banks usually refuse to participate in the speculative operations of the financial market. They consider that this economic logic is responsible for many international crises, social inequalities, ecological problems, and so on. Occasionally, some ethical banks sell sustainable investment funds, namely because of the clients' demand, but the amount of these funds is normally quite insignificant.
- As a result of the previous point, the main activities of ethical banks are concentrated in savings collection and credit distribution. So they focus on the original business of banks.
- Ethical banks privilege the social, ethical or environmental dimension of the projects they finance. In this sense, particular attention is given to areas of the social and ecological housing, biological agriculture, renewable energies, small and medium-size companies, and so on.
- Interdependence is encouraged between depositors and borrowers to enable loans at reduced rates of interest for projects with a social, ethical or environmental dimension.
- Local or regional coverage: the segments of clients to whom Ethical banks are particularly addressed do not go beyond the local or regional level. This is consistent with the general activities of these banks and with their involvement in the development of the place in which they are settled.

As far as the internal functioning of the institution is concerned, ethical banks are normally characterised by the following:

- The operational costs of ethical banks are higher than traditional banks. Therefore, they tend to have few offices and operate mostly

by phone, Internet or e-mail. An extreme case of this is *Smile*, a branch of the Co-operative Bank, which was the first ethical bank to operate exclusively by Internet.

- Transparency: ethical banks are particularly concerned in offering detailed information on their activities. Unlike the commercial confidentiality of traditional banks, the active policy of transparency practiced by ethical banks goes up to the level of publishing the amount and the recipients of the loans granted. Citizens Bank, owned by the Vancouver City Savings Credit Union, goes still one step further. As part of its community donations programme, clients are invited to suggest groups which they believe deserve a share of a fund. The suggestions are classified into four groups according to the area in which they fall. Clients are then invited to vote on which groups should receive 50 per cent of the fund, 25, 15 and 10 per cent, and funds are allocated according to the results of the poll.

- Participation and democratic requirements: most ethical banks have the juridical status of a Community Bank. This allows them to take decisions in a more democratic way because, irrespective of the capital invested in the institution, each cooperative member has one vote. Even the ethical banks that do not have cooperative status take measures to ensure democratic participation. The internal organization of the Alternative Bank ABS, for example, is made in a form that means no one can cumulate more than 3 per cent of total actions, which guarantees equity in the general assembly.

- An effort towards equality at all levels is also a common characteristic among ethical banks. This principle is applied not only as far as gender equality is concerned, but also as regards the wage policy, and so on. In the case of the Alternative Bank ABS, given that is a Swiss bank, there is also an effort as regards the distribution of posts according to regional and linguistic criteria.

From theory to practice: the evidence of the balance sheets

In this section we will see how the different nature of banks shown in the previous sections is reflected in their balance sheet. In order

Table 8.2 Description of the balance sheet in four main entries

ASSET	LIABILITIES
Inter-bank operations	Inter-bank operations
Clients' transactions (loans…)	Clients' transactions (deposits…)
Financial transactions (participations…)	Financial participations
Reserves	Equity

to do so, we have summarised the balance sheet document into four main entries (see Table 8.2):

• Inter-bank transactions.
• Clients' transactions
• Financial activities
• Reserves and equity

Now, in order to make clear the particular characteristics of ethical banks, we have decided to compare these financial institutions not only to traditional banks but also to cooperative/mutual banks. A typology of banks subdivided into three different kinds of institutions is thus proposed:

• Traditional banks (for example, BNP Paribas, France).
• Cooperative/mutual banks (for example, Caisse d'Epargne, France).
• Ethical banks (for example, Alternative Bank ABS, Switzerland)

The core of our argument will now consist of stressing the correlation between the theoretical criteria explained in the previous sections and the main activities of a given bank as it appears in its balance sheet. Let us begin by taking a traditional bank like the BNP Paribas (see Table 8.3).

It is interesting in the case of BNP Paribas to focus on the clients' transactions. A comparison between the weight of clients' transactions on the assets side and on the liability side, enables us to characterise the amount of resources available for a given institution. If the value of clients' transactions on the liabilities side is less than in the assets side, it would indicate that there exists a deficit of resources due to

Table 8.3   Traditional banks: the example of BNP Paribas

ASSET	LIABILITIES
Inter-bank operations 10%	Inter-bank operations 23%
Clients' transactions (loan) 33%	Clients' transactions (deposit) 30%
Financial transactions (participations) 56%	Financial participations 40%
Reserves 2%	Equity 7%

Source: BNP Paribas annual report, 2009. Calculations made by the authors.

a dominance of credit granting activities. This is indeed the case for BNP Paribas:

Liabilities clients' transactions – Asset clients' transactions < 0

The balance sheet of the BNP Paribas thus shows:

- A dominance of credit transactions and
- A relatively high percentage of financial transactions
- These two elements are characteristic of universal banks.

Let us now look at the balance sheet of a cooperative/mutual bank like the Groupe Caisse d'Epargne – Banques Populaires (see Table 8.4):

Contrary to the previous case, a positive result in the balance of the liabilities clients' transactions when compared with the assets clients' transactions reflects an excess of resources. Cooperative and mutual banks usually function this way, as it is illustrated in the case of the Caisse d'Epargne, where:

Liabilities clients' transactions – Asset clients' transactions > 0

Table 8.4   Cooperative/mutual banks: the example of the Groupe Caisse d'Epargne – Banques Populaires

ASSET	LIABILITIES
Inter-bank operations 15%	Inter-bank operations 11%
Clients' transactions (loans…) 50%	Clients' transactions (deposits…) 57%
Financial transactions (participations) 25%	Financial participations 19%
Reserves 10%	Equity 13%

Source: Caisse d'Epargne annual report, 2009. Calculations made by the authors.

Table 8.5 Ethical banks: the example of the Alternative Bank BAS

ASSET	LIABILITIES
Inter-bank operations 15%	Inter-bank operations 20%
Clients' transactions (loans…) 74%	Clients transactions' (deposits…) 71%
Financial transactions (participations) 0%	Financial participations 0%
Reserves 11%	Equity 9%

Source: Alternative Bank BAS annual report, 2009. http://www.bas.ch/en/ Calculations made by the authors.

The balance sheet of the Caisse d'Epargne thus shows:

- A dominance of savings activities and
- A percentage of transactions in the financial market lower than in the case of the BNP.
- These two elements are characteristic of a Savings Bank with cooperative status like the Caisse d'Epargne.

Finally, it would be interesting to see the balance sheet of an ethical bank like the Alternative Bank ABS (see Table 8.5):

In the case of an ethical bank like the Alternative Bank BAS, it is interesting to note that, like traditional banks, the balance between the clients' transactions on the side of liabilities and assets is negative. Therefore, this is a dominance of credit activities over savings activities. But contrary to traditional banks, there is no active participation in the financial market:

Liabilities clients' transactions – Asset clients' transactions < 0

The balance sheet of the Alternative Bank ABS thus demonstrates:

- A dominance of credit transactions and
- A total absence of participation in the financial market.

Some people might find it rather surprising that ethical banks are more similar to traditional banks than to savings banks as far as

their clients' transactions are concerned. But the balance sheets show very clearly that savings collection is not at the core of the ethical banks' business. Therefore, the big difference between ethical banks and standard banks is that the former institutions do not have a significant participation in the financial market. Ethical banks are thus essentially confined to credit granting activities, where they impose social and environmental criteria. They support the SMEs in financing their investments projects, and thus contribute to the local/regional development. Their absence of active participation in the global financial market obliges these institutions to work with narrower profit margins, but as has been said throughout this chapter the maximisation of benefits is not their primary goal.

The implications of their choice on corporate governance

To manage to be consistent with these objectives, ethical banks have to find the tools to optimise their profit. Let us consider the specific case of the ABS bank. The benefits are first applied to the constitution of reserves. Only afterwards can the additional part be used to give a dividend to shareholders. As in any institution, maintaining their presence on the market requires a good level of profitability. As they have chosen not to maximise profit, they should be more cautious about their costs. We have already mentioned the factors relative to operational costs. Hence the coupling of risk/profitability is correctly evaluated. If they refuse participation for short term speculative finality, they use the financial market for refinancing purposes. This choice protects them from liquidity problems and guarantees clients' improved long term investment. Far from building a strategy to develop their activity at the international level, ethical banks focus their core business in granting credit to SME at the local level. Social and environmental factors are as important as economic parameters to obtain a grant from an ethical bank.

   One might think that the reduced products proposed by ethical banks prevent them from being innovative. Quite the reverse happens in the everyday practices of ethical banks. Selecting investment projects on social and economic criteria gives these institutions a comparative advantage which leads to the creation of value at the regional and national level. If they have chosen to optimise and not

to maximise profit, it is firstly to assist clients in their projects: the size and economic performance of the project is not the only criteria taken into consideration as is the case in traditional banks. The social added value is a core argument required for the client to obtain the necessary liquidity to undertake investment.

Two further aspects can be discussed: the objectives exhibited by the bank and the values shared by the employees. As we have already mentioned, ethical banks privilege economic growth for SME at national and regional level. The first point that emphasises this new image for banks is the remuneration policy of employees. To illustrate our argument, we discuss the ABS bank case study. The work conditions offered by this institution are exemplary: the salary difference between the lowest and highest remuneration is lower than the average (the annual report indicates a ratio from 1:3.1). Continuous internship is a key factor of success. Parity between men and women is achieved (proportion of women in the whole institution: 58 per cent, proportion of women with responsible position: 50 per cent) q.v. Moreover, during an interview, Mr Walker and Mr Thali, members of the board of directors from the ABS bank, mention that the level of staff turnover in the institution is very low despite the fact that employees know they could earn much more money in a classical bank. Hence, the model of corporate governance chosen by ethical banks is not imposed by the management but shared by the whole group. This certainly assures the success of this delicate strategy to optimise profit. Ethics is then not only a concept applied to financial products and banking practices. It is also a rule that determines the relationships between the individuals acting inside the institutions.

As a whole, corporate governance has to balance the prerequisites of shareholders, who want to know where their money goes, the will of the banking institution, which needs to understand every transaction at all times, and the hope of enterprises, who want to invest in the real economy. This addition of ethical behaviour gives a new dimension to corporate governance. At the core of the concept, one will find the corporation in all its dimensions: economic, environmental and social. No one has the power and the will to impose on its partners profitability criteria without any connection to the real world. This model could lead to greater ethical behaviour for the whole banking system not only because of the clients' pressure but also for efficiency reasons. The example of the ABS bank proves that

this alternative works and is fruitful. Hence, ethics does not mean no profit but another way to reach a reasonable one with more sense.

Conclusion

All banks might claim to be ethical. However, when their activities are analysed in depth, it is quite clear that there are great differences between them in terms of the overall approach to and the concrete practice of ethical banking. The first major distinction to be made is to differentiate the strategies of 'traditional banks' from 'ethical banks'. For the former, the new ethical fashion is just an instrument for attracting new clients and thus maximising profits. In order to comply with this demand, their primary strategy is to issue a wide variety of SRI products. Unfortunately, recent studies show that this is more a form of 'greenwashing' or ethical marketing than a real commitment.

It is quite the opposite for the 'ethical banks': the sustainable approach is an integral part of their overall strategy. First and foremost, maximising profits is not their primary purpose, at least if profits are only measured in financial terms. For them, the social and environmental added value should also be taken into consideration. In order to comply with this commitment, ethical banks tend to forego participating in the speculative operations of the international financial market and instead focus their banking activities on savings management and credit distribution. This allows them to support the local/regional economy and to target the social, ethical, or environmental dimension of the projects they finance. The ABS is one outstanding example of this kind of approach.

However, while all ethical banks might claim in their founding texts to offer alternative banking practices in order to change the dominant economic logic responsible for the worsening of ecological problems and social inequalities, the reality is that they are still far from being in a position to change the world. Until now, ethical banks were an interesting instrument for 'moralising' the economy but ineffective as far as real change went. The current subprime crisis could be a strong driver of change. The issue is not only to improve the morality of the system but also to lay the groundwork for building a new financial paradigm. In that respect, ethical banks could constitute a model for traditional banks as regards their operations and their allocation of credit to companies. In the subprime crisis, fluctuations in their

number of clients reflected the pressure of civil society to introduce more sense in our economic world. A small poll of Swiss institutions reveals that new accounts at ABS have grown by 150%.

Hence, this study has demonstrated that ethical banking could become a reality that is profitable in both financial and social terms. Banking institutions are responsible for expanding this new attitude. The current situation as regards credit allocation to SMEs casts doubt over whether or not this new attitude will be implemented in the near future. Nonetheless, this study still provides some promising insights into an alternative banking system.

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