Journal of Mass Media Ethics, *16*(2&3), 213–233

Communication in the Unfettered Marketplace: Ethical Interrelationships of Business, Government, and Stakeholders

Robert I. Wakefield
Brigham Young University, Hawaii

Coleman F. Barney
Solution Bank International

❑ *As technology redefines relationships, new assumptions are emerging about the ethics of persuasion. In an increasingly global economy, technology is forcing greater transparency onto businesses and governments as the moral context of their communications is inseparable from the competitive nature of the business world. This article suggests that moral boundaries will be set naturally, that consumers have a moral obligation to excercise "due diligence" in their acceptance of messages, and that no one is in charge of the global economy's conventions and morality. The system ultimately depends on participants to keep their own self-interested boat in the race.*

Globalization of Economics and Information

As a so-called global economy spreads, breaking down nationalistic barriers for production, distribution, and consumption, thousands of formal and informal cultural and political rules are under assault. If "controlled economy" is an oxymoron, then by definition the emerging global economy matrix will likely challenge most of the long-standing parochial rules that have preserved local stability for centuries.

In the wake of globalization, then, highly developed economic systems with affluent consumers are being jammed up against subsistence cultures with cheap and plentiful supplies of labor and huge potential mass markets.

Relatively wealthy consumers who shudder at the thought of earning less than $20 per hour are snapping up running shoes, clothing, DVD players, and television sets produced in factories whose maximum wage ranges in the pennies, rather than dollars, per hour.

From this unprecedented mix rise three questions:

1. What universal moral mandates can usefully serve both the sophisticated (even predatory) and relatively open and competitive economic systems of the United States, Britain, France, and Germany and traditionally conservative systems of such disparate nations as China, India, Mexico, Japan, and scores of others?
2. What will protect consumers and existing systems as the new economic realities gallop through the world?
3. In an economic revolution that threatens protective national barriers, who will be in charge of the emerging global economy? For how long, for example, will China (or any other country) be able to regulate internet content with all the product offerings and ideas that flow through its spreading channels? Tangentially, who can (or should) regulate the internet?

In this article, we describe the prospects of a generally unfettered global economy and offer a detailed argument for a morality of a strongly competitive business climate as one serving the best interests of all shareholders in the mix, including consumers and even vulnerable producers unable to compete in the marketplace. It is an uncomfortable proposition for those who would protect the weak and advocates of the legislated level playing field, for it argues the importance in these new conditions of an open competition that ultimately allows the collective consumer to be in charge.

Is a New Ethical Model Needed for Global Society?

By answering these questions, it may be possible to account for global, free market ethics. We believe it is imperative to understand the ethical interrelationships of businesses and their stakeholders in the context of globalization. It also is important to examine ethics in light of new media, including the Internet, which render information so accessible. With this accessibility, traditional gatekeepers are replaced by the ability of individuals to both receive and spread information (and to directly pressure corporations rather than relying on media or governments). This creates an entirely different communication system that, combined with a truly free market unleashed globally, may need modified ethical constructs.

Unchained Marketplace

The free enterprise ideal is that there is no need to restrict business behaviors. The marketplace governs itself by rewarding strong companies and forcing weaker ones out of business. Companies are obligated to work vigorously against competitors to wrest away customers, revenues, and market share, even though it may result in competitors folding and people losing their jobs. By contrast, people destroy their own jobs if they fail against their competitors. In return for championing this survival-of-the-fittest mentality, the successful company will reward employees and investors for capturing an industry.

As the theory goes, this vigorous competitive environment should also reward consumers. A successful company creates new and improved products and expanded production capacity. This in turn fosters investment and job creation. Competition accelerates these benefits by increasing product choices and pushing the limits of technology. This has occurred in various industries, but has been particularly apparent in recent surges in the capacities of personal computers, the varieties and reach of mobile telephones, and other technological advances.

A vigorous economic environment rewards consumers.

Entire societies can benefit from the competitive marketplace. One observer said that the existence of multinational firms is "a necessary good" in many societies:

> Domestic savings are simply not enough to sustain high economic growth. So we need direct foreign investment. [Multinationals] bring international standards and technologies and help us become attuned to the patterns of different markets, and they also bring foreign partnerships, which themselves bring technology transfers and new markets of their own. (Friedman, 1999, p. 135)

Free Enterprise Can Be Self-Regulating

Recent examples indicate how free market competition regulates itself without government interference. In fact, formal intervention can do more damage than good. Competition has been especially aggressive in the technology sector. Andy Grove, former executive officer of Intel, the world's largest manufacturer of computer chips, recently observed that paranoia drives the fiercest competitors to win. Even when a corporation is winning, its employees need to hear the footsteps of their competitors. This keeps the firm sharp and aggressive.

When C. F. Barney (one of the authors of this article) worked at Microsoft®, employee banter was always about winning. Even when this high-tech giant was a dominant force in the software marketplace, in-house conversation was not about having won but about needing to do more to gain even greater dominance against competitors like WordPerfect® and Lotus®.

Microsoft chief executive Bill Gates felt it was imperative to eliminate Netscape®, which was trying to advertise its Navigator browser as the next, and supposedly superior, computer operating system. Yet the marketplace perceived the Microsoft Explorer browser as the "better mousetrap," and Netscape could not respond. Therefore, Netscape failed in this free market battle due to weak product offerings and a lack of ability to execute on ambitious product design plans.

Microsoft's dominance produced several benefits. With a focus on the operating systems that host applications on desktop computers and network servers, the company's dominance resulted in a standard that led to thousands of new software programs being created that sparked the purchase of millions of computers worldwide, which caused costs to drop. So both software and hardware developers benefited. Also, Microsoft employees could continually upgrade their product, keep prices down, and, because most computers were sold with Microsoft Windows®, receive substantial revenues.

Unfortunately, the mousetrap that captured market share and allegedly drove Netscape out of the business also caught the government's attention when competitors of Microsoft banded together and lobbied an end to Microsoft's grip. Netscape and its allies pressed the Justice Department to prosecute Microsoft. After months of wrangling, the company was convicted of monopolistic behavior and ordered to divide into two separate firms.

Yet, as Microsoft was enduring federal scrutiny over browser dominance, the sheer competitive force of the Internet was shifting attention in the computer industry away from desktop and server operating systems. The value of computers moved to software and moved to business-to-business applications that unleashed a new way for computers to communicate and automate commerce and transactions over the Web. Oracle® and Sun® had already jumped into Internet applications, and "up-and-comers" like Ariba® also raced to lead the software industry. Regardless of what Microsoft may have done as a monopolist, its stock plummeted to a 52-week low and, for the first time, market analysts questioned its relevance. This shift hinted that the government did not need to interfere with Microsoft. Although many people reveled in Microsoft's defeat, others questioned the long-term impact of federal intervention.

While Microsoft was losing market share by government edict, Novell®, Inc., another darling of the NASDAQ 100, saw its dominance in another technology category erode through normal market forces. As recently as 1997, Novell was the largest networking operating system in the world; now it is only Number 4. It has gone through several major layoffs, including in September 2000. Within days after the most recent round of cuts, a job fair was conducted to help ex-Novell employees find new positions.

Ironically, many of the new positions were in dynamic new businesses started and operated by other former Novell employees.

Free Enterprise Attracts Motivated Individuals

Through free enterprise, successful companies create jobs, intense competition, and wealth. Managers of capitalist firms labor for more than a paycheck; they have a strong desire to maximize their potential. Such people expect to succeed and to be measured on their success. When they accomplish the goals set by themselves, owners, and investors, they reap substantial rewards. If unsuccessful, they expect to be replaced with more competitive management. Abraham Maslow (1970) described five levels in his Hierarchy of Needs. Maslow described how everyone is driven to achieve the initial level of supporting Basic Needs. Also, most people will reach the second level of Safety and Security. However, the number of people in the world who ever progress into the upper levels of the hierarchy are limited. The top level of the hierarchy, Self-Actualization, is populated by the smallest proportion of people but arguably is the level attained by most successful capitalists and business leaders. Because these individuals are mostly motivated by the desire to maximize their own potential, they are the least likely to tolerate regulations and controls designed to temper or moderate their progress. A serious trade-off occurs whenever regulation is introduced. Although regulations may be designed to "protect" the masses of the population, they restrict the ability of self-actualizing leaders to be successful, and this success is ultimately what we rely on to provide jobs and wealth to those masses. Goal-oriented, confident people with the skills to embrace their own visions flourish in dynamic firms that reward self-actualization; they don't respond well to regulatory boundaries meant to equalize or normalize the way businesses compete. Figure 1 illustrates this.

Corruption Is Inevitable in Any Market System

Despite the positives of free enterprise, government officials and other business observers have offered many reasons to regulate commerce. Stability seems to be the main incentive. Regulations (including restrictive moral restraints) supposedly preserve jobs and maintain stable incomes for families and communities. They are intended to keep unsafe or unsatisfactory products out of the marketplace. Such restraints can help sustain the environment and can protect the economies of given countries from foreign influences.

Regulations, however, can promote false security. Japan's regulated economy could not deter unprecedented layoffs during recessions, and

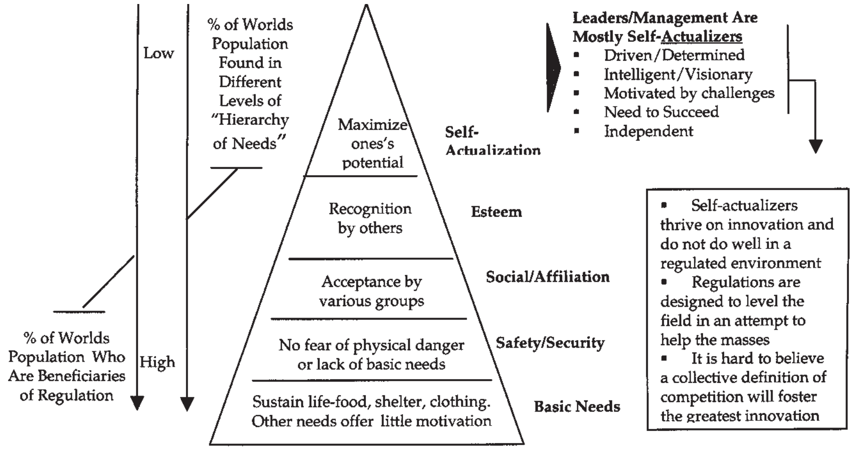

Figure 1 Self-actualization in business management.

laws failed to eliminate dangerous tires that resulted in Bridgestone's tire calamity. The collapse of the Soviet economies in the late 1980s starkly illustrated the failures of purposive economic regulation (Friedman, 1999) or the planned economy. These highly regulated economies stifled production and innovation. "Winners" typically were companies in collusion with the regulators to install market protection, price supports, and capacity planning. However, under these constraints gains were short lived. Meanwhile, consumers were stuck with less innovative products, limited offerings, higher prices, and, eventually, drastically weakened and noncompetitive states (Vogl & Sinclair, 1996).

Certainly, free enterprise is not immune from corruption. As mentioned, motivated individuals are naturally attracted to competition. So when regulatory bodies have attempted to artificially balance power, these individuals have been known to figure out ways to skirt the regulations to preserve their ideas and obtain their "share" of wealth. Among multinationals, these regulatory side steps include moving from country to country in a continual search for cheaper labor and less stringent manufacturing constraints. In such a world, it is unreasonable to assume that any economic system will remain free of corruption.

Coping With the Inevitable Corruption of the Unregulated?

We certainly do not condone any organization skirting the laws or their own moral obligations. Society should be concerned about how decent people can lose their means of family support. We should be concerned about economic disparities between countries and about the hundreds of thousands of people who go to sleep hungry every night despite arguments that developing nations are catching up (Vogl & Sinclair, 1996). We should be disturbed when corporations pursue profits without any seeming compassion.

Yet a free global system favors altruism, not profitability, and when money is the goal, corporations will communicate in a way that fosters maximum opportunity to make and retain profits. This means they will want to hide certain information if for no other reason than to keep competitors from knowing about it. They will try to "put their best foot forward," to convince their stakeholders that they are profitable, that their products are "the best" on the market, and that they are a good investment. It also means that many companies will withhold the complete truth or even lie outright to stay above the competition.

Therefore, what restraints are available to protect society against businesses that will not adhere to the rules? Furthermore, who is responsible for protecting consumers and other members of society if the unfettered, free market has no rules?

We believe that the answers transcend corporate walls. Companies function within a societal context that has the capacity to monitor and influence corporate behaviors. Ethical codes relevant to global business should reflect this context, as explained hereafter.

Ecosystem of Market Segments

A corporation is part of an ecosystem of five key market segments that determine how the entity creates new products, settles on prices for its offerings, and markets its wares. The segments are similar to what others call *stakeholders* (Freeman, 1984). To be successful in the long term, a firm must recognize and interact with these segments, which are

1. The Company: The entity responsible for identifying market needs and generating and delivering products or services that are seen as innovative and worthy of consumption. This segment is controlled by its management, which controls the destiny of the entity. Employees often have different priorities.
2. The Customer: The primary consumer of the product or service created by the company. A customer may be an individual or another firm. Buying motives vary depending on the product or service, but every customer follows a formula of benefit plus price equals value. If the value is sufficient, a purchase will occur.

3. The Investors: The group that has an equity stake in The Company, either through investing of capital directly in a private firm or the purchase of stock on the public market. The investments carry an expectation of greater profits in return.

4. The Employees: The people who rely on the company for their livelihood. Employees have a personally vested interest in the company's success. The interests of managers, as officers of the entity, may be different from the rank-and-file staff, but the entire employee group is still treated as a key segment.

5. The Community (or Communities): The broader group of businesses, individuals, media, interest groups, or government entities who have a stake in the company—not necessarily as primary consumers or as investors, but because they have some interest in whether the company succeeds (or fails) and how it fits into society.

Obligations of the Market Segments

With the five segments identified, it seems necessary to explain why they correlate to the ethical foundations underlying business decisions. This might be done best by examining the interactions of two of these segments: the company and customers.

In the United States, where competition has endured for decades, companies and consumers seem to understand their moral obligations. Companies offering products or services are morally obligated to not defraud buyers. Consumers have the obligation to assert self-preservation by conducting due diligence before buying. When a contract between buyer and seller is not fulfilled, the wronged party has legal recourse.

The obligation of the seller to be forthright and of the buyer to be informed rests on the ability of both parties to understand what motivates the other actor in the transaction. It also places importance on what is communicated and on the capability of consumers to decipher that communication. For example, if the company (or seller) understands that consumers (or buyers) have access to both positive and negative information about its products and services, the seller will tend to avoid being untruthful for fear of being caught. If consumers understand that fraud occurs, they will be more wary of each seller and more prone to conduct due diligence. Therefore, information again becomes an important factor in today's economic transactions. Relationships also exist between the company and the three other market segments—the investor, the employee, and the community. Each of these segments has expectations of business responsibilities. We refer to these responsibilities as *business virtues*, as described following.

Fundamental Business Virtues

Business virtues can be defined as attributes that bring value to each market segment in the company's environment. The five virtues in the competitive environment are

1. Profitability: To successfully compete, a company must have a plan for profitability and processes that direct how it will generate and meet market demand for its products or services.
2. Vision: This is long-term strategy to maintain viability as conditions change. Vision helps firms exceed industry growth norms. Firms without vision are not rewarded with higher capitalization or recognition from customers and investors.
3. Safety: This dictates the need to create products or services that meet or exceed margins of safety to protect the consumer against harm, which in turn would lead to dissatisfaction or even liability.
4. Stability: This refers to a business model that is economically and institutionally sound, eliminating unsettling gyrations in capacity, demand, and performance.
5. Credibility: This is a reputation of integrity related to a firm's activities that not only facilitates the selling process but reduces outside scrutiny.

These virtues reflect what the market segments expect of the company. Each segment will prioritize the virtues differently and respond accordingly to the business. The priorities even can be contradictory from segment to segment. A successful company will understand these differing priorities from segment to segment and will organize its strategies to accommodate the differences. All of these priorities and interactions are shown in Table 1.

Profitability is the core of business; thus, the virtues are pragmatic as well as theoretical. Yet a visionary business will acknowledge that each segment's prioritization of virtues carries enduring implications. If the firm responds to each virtue, it increases its chances for success. For example, long-term vision can bring stability, thus protecting the welfare of employees and consumers. Such vision also should engender sensitivity toward safe products. Each of these virtues, in turn, builds and preserves a good reputation, which again enhances the other virtues. This creates a continual "cycle of virtue" for an entity that desires long-term success.

Ignoring or Artificially Manipulating Virtues

Often, business leaders view profitability as no more than providing solid products and reaping the returns. This could be viewed as an "inside-

Table 1
Market Segments and Their Business Virtues

	Equity Stakeholders		*Interested Parties*	
Company	*Investors*	*Employees*	*Customers*	*Community*
1. Profitability	1. Profitability	1. Stability	1. Credibility	1. Safety
2. Vision	2. Vision	2. Safety	2. Safety	2. Stability
3. Safety	3. Credibility	3. Profitability	3. Stability	3. Credibility
4. Credibility	4. Safety	4. Vision	4. Vision	4. Profitability
5. Stability	5. Stability	5. Credibility	5. Profitability	5. Vision

Note. Examples:

- Investors rank priorities like the company. The rewards of pleasing investors have the most influence in how a company behaves because of its relationship to investors.
- The staff of a company often is powerless to impact its direction and to make it stable.
- A company must be profitable to stay in business but this is not a priority interst to any other segment beyond investors.
- Companies will tailor messages to reflect sensitivity toward the particular segment being communicated with.
- Interested parties tend to look at companies in a more personified way. They want a sense of personality to judge the company as a partner.
- The company will invest in branding that formulates opinions of target segments.

This table shows how each market segment prioritizes virtues. Companies plan their behaviors toward each segment based on its priority of virtues. They create messages and programs to influence each segment's view of the company. Therefore, when a firm introduces a product (priority 1: profitability), a customer (priority 1: credibility) must assess the truthfulness of the firm's message through independent verification of its ability to deliver a quality product.

out" approach to decisions in which the other market segments are ignored in the rush for profits. There is ample evidence, however, that ignoring the priority virtues of the other segments can quickly create harsh consequences.

In 1999, Coca-Cola® suffered a dramatic blow to its reputation and its profits when consumers alleged that products from a Belgium plant were laced with dioxin. Within 24 hr, the allegations spread around Europe. Eight nations banned Coke products and the firm scrambled to repair the damage. Yet it was too little, too late: The company suffered widespread negative publicity, and the company's sales and stock prices plummeted (Holsendolph, 1999).

Coca-Cola executives should not have been caught by surprise. Had they monitored the priority virtues of European market segments along with their incessant pursuit of profits, they would have had plenty of warning. The crisis occurred during an ongoing dioxin scare over agricultural goods. Coke also misjudged the resentment it had accumulated in Europe over previous unfair competitive practices (Roughton & Unger, 1999).

Government intervention serves only to artificially alter the rankings of the virtues. Government subsidies helped make Utah-based Geneva Steel Corporation a stable source of employment, thus satisfying the employee and community segments' needs. However, for several years, although employees made sacrifices to remain employed, Geneva has still failed to compete with the lower wages and production costs of their foreign counterparts. Operating at the margins, Geneva's product quality has suffered along with its credibility. As a result, the firm cannot remain viable in the competitive world, even with the subsidies.

Ethics of Communication in the New World

Beside the question of competition between companies, it is important to consider how companies communicate with their various market segments, and how the market segments judge that communication. It also is important to understand how, in today's society, the market segments can influence business communication.

Company's Obligation to Communicate

In a competitive marketplace, corporations must communicate with their stakeholders. To do this effectively, the company crafts messages to have maximum impact in informing, building understanding, and driving sales. Messages often are targeted to the prioritized virtues of each market segment. Although ethical frameworks would suggest that communication be open and forthright, it is common for manipulation to occur. Manipulation is not limited to deliberate misrepresentation. It includes what companies do not say, as well as what they say.

Many corporations still operate under the Cold War rules regarding information, as outlined by Friedman (1999)—information is power, so its distribution must be controlled. Positive information is distributed widely and perhaps embellished to make the seventh minor upgrade look new or vastly improved. Negative information, by contrast, is hidden in some remote corner so that only the most trusted insiders know about it. To be fair to the corporate world, such practice is pervasive even among individuals. Few people, for example, would boast on a resume of the D+ they received in their freshman physics class.

Today's instantaneous and global spread of information has rendered these old rules of communication utterly ineffective. No longer are the media confined to a few major networks; now they are targeted to the smallest groups of individuals linked around the narrowest of common causes. The same is true of print media. Information is not limited to newspapers and a few magazines in major metropolitan centers. Never has the array of publications and electronic media been so vast as it is today in almost every country.

However, the real change is the unprecedented reach of the Internet that alters the very nature of communication. A short time ago, one-way communication between a business and its market segments was the norm and two-way communication was considered progressive. Corporations could easily control the timing, content, and vehicles for its messages. Now, information flows are "multiway." It is no longer just firms communicating to their constituents but, like it or not, their constituents communicating with them and with each other.

As a result of these changes, it is much more difficult to stonewall information. Firms may keep secrets for a few weeks or even months—but long-term prospects for hiding sensitive information are disappearing. Many multinationals have learned that, unlike in past days, it is difficult to hide problems in one plant from media in other locations; negative information unearthed in one country can quickly spill over borders and even into the global media.

Internet alters the very nature of [corporate] communications.

It might be easy for readers to claim moral high ground over corporations who do not communicate the whole truth in this new environment. They may argue that the firms deserved what eventually came their way, and such an assessment may be accurate. Yet the argument also oversimplifies much more complicated and constant interrelationships between companies and their other key market segments.

Obligations of Other Market Segments to Assess Communication

Once a company has communicated, people in each market segment have a responsibility to properly assess the information and make their own decisions about the firm and its offerings. To do this effectively, they must understand that companies will craft information positively as explained previously and become discerning consumers of information. Most people are skeptical of paid advertisements, but how many exercise that same judgment on articles or network news reports? If they act on that information (with a vote or purchase, for instance), then who is at fault for believing what turned out to be inaccurate or untruthful? Such discernment—even a "cooperative" effort between sender and consumer—must persist through every opportunity to evaluate information.

The different priority businesses give to the virtues mentioned earlier often guide their communication. Individuals who know this can filter corporate information and supplement it from other sources for a more complete and balanced view of a situation. At the same time, they must recognize that these sources will reflect their own priority biases. For example, a local station may air the community's concerns over safety in a local plant rather than delving into the plant's revenues. Therefore, if people can sort through these different and often conflicting priorities in assessing communication, they should be able to make better decisions.

Levels of Truth—Barometers for Assessing Communication

Knowing that communication from different sources can be confusing, some scholars have devised guidelines to help judge its veracity. Deaver (1990) described four levels of truth ranging from *pure truth* (unembellished facts) to *deceit* or outright lies. Between are *selective truth* and *invented truth.* In Table 2, we modify Deaver's categories to fit this discussion and suggest moral implications for each level.

Note that only deceit is classified as immoral, whereas the other levels of truth can be good or bad, depending on the situation. For example, even intimate communication between friends ranges mostly in the selective or invented categories. Most people don't want to absorb pure truth, considering a listing of facts and figures to be mundane and uninviting. Therefore, companies spend considerable money to research those selective or invented truths that will entice the market segments to pay attention to their messages.

So herein lie the moral interconnections between businesses and their market segments. The company is obligated to communicate in a morally responsible way, but in the competitive world, where profitability is the prime priority for companies, there is no guarantee that this will occur. Therefore an additional responsibility lies with information recipients to accurately judge what they absorb. Understanding the levels of truth can help in sorting out the vagaries of communication to accurately assess a company and make good choices related to it.

With the myriad information channels and multiway communication described previously, it seems more appropriate than ever to assign ethical responsibility to the market segments as well as to businesses. Information needed to make purchases or to build relationships or to pressure a company no longer need come from the company alone. A variety of checks and balances are built into today's information system, and most individuals can use any or all of these in making decisions. If recipients believe the information is truthful and it convinces them that a product is sound, for example, they likely will buy the product. If they conclude that the information is false, or withheld, whether they buy the product or not—or that the company is manipulating them—they may choose to go elsewhere, complain to the company, pressure the firm to change its behavior, or tell other potential buyers.

A recent Amazon.com case offers one example of how multiway communication between segments and levels of truth have stifled attempts to manipulate information. In an effort to boost profits (Virtue 1 for companies), Amazon.com executives decided to conduct a "dynamic pricing" test. Such a test determines whether a company can charge different prices for the same products, depending on where customers live, their income levels, and other demographics that can now be monitored through the worldwide web (Martinez, 2000).

Amazon.com's test was brief and might have been successful. However, through their own communication channel, DVDTalk.com, customers who had purchased DVDs from Amazon.com compared notes and found that regular customers were charged more (Streitfeld, 2000). This sparked a flurry of protests, and the company spent the next 2 weeks issuing apologies and refunds to former loyal but now angry consumers (Martinez, 2000).

It is difficult to know whether this one incident significantly damaged Amazon.com, but today the company is suffering huge losses in profits and stock prices and has received poor ratings from stock analysts. Thus, the company's Number 1 priority, profitability, has been dramatically affected by the Number 1 priority of its consumers, credibility.

Market segments also reacted when Volvo® was prosecuted in Texas for false advertising in the early 1990s. At a real-life monster truck rally, oversized trucks drove over and crushed a line of cars. Afterwards, a Volvo fan noticed that an old Volvo wagon was visibly less smashed than the other cars. This prompted the company to recreate the event for a TV commercial to demonstrate the safety of Volvo vehicles. However, at the recreation, the advertising agency decided the Volvo didn't look as uncrushed as it should after the first pass of the truck. So the crew reinforced the roof of a second Volvo, then cut the roof supports of the other cars in the subsequent lineup. Satisfied that this would reflect the required contrast between smashed, unsafe cars, and sturdy, safe Volvo's, the filming proceeded. Just then, someone from the Texas attorney general's office walked in, confiscated the props, and closed the operation.

Therefore, where did Volvo officials go wrong? When they decided to do a reenactment? When they propped up the Volvo's roof structure, or cut the support bars on the other cars? The whole scenario was an invented

Table 2
Levels of Truth and Their Moral Implications

	Pure Truth	*Selective Truth*	*Invented Truth*	*Deceit*
Type of truth	• A statement of facts with no embellishment • A good example would be fact sheets of a product size, weight, capacity, etc.	• Selling messages that use hyperbole surrounding some facts • It becomes more important to look for what is not said than what is said	• Stories and examples are gathered and combined into a powerful message • Example: Use the name of a client and the specifics of another custome, combining these facts into a powerful selling message	• An outright lie • Statements or acts designed to improve the situation of the seller at expense of the buyer.
Moral issues	• No moral issues, but this kind of communication leaves it up to the listener to draw conclusions and benefits for products or services	• You don't know if the seller is hiding a problem by withholding information or just trying to reduce complexity by giving only "relevent" information	• Is it moral to "makeup" stories in an attempt to make a powerful point? • Is it the invented truth being used to reinforce truth or embellish a weak story? • Morality is always questionable	• No question this tactic is morally wrong and improper

truth, according to Table 2. It was based on truthful eyewitness accounts but staged to maximize drama for a powerful message. Volvo targeted customers with a message about safety (customer Virtue 2) to maximize sales (company Virtue 1: profitability). However, as the film crew reinforced the car frame they regressed from invented truth to deceit, which caused people to call the authorities. Volvo sacrificed its credibility (Virtue 1 for customers and Virtue 4 for companies) when it crossed the line ethically, morally, and legally.

If Volvo had not been caught and the commercial had aired, consumers would have been responsible for distinguishing between pure truth, invented truth, and deceit. Individuals in each market segment would have had to decide what actions they should take in the situation based on their respective prioritization of virtues. Rather then just trusting the advertisement and buying a Volvo, they could have reviewed *Consumer Reports.* They could have searched the Internet for alternative information and reports. They could ask a friend or acquaintance who owned or had previously owned a Volvo. Armed from various sources, their subsequent purchase of a Volvo would then be an informed choice.

Executives of today should understand that decisions are made in this manner and that those decisions ultimately have an impact on profitability. With such understanding, they may be less likely to risk their profits on invented truths or deceit that destroys credibility. Thus, ideally, the free market rights itself, whether through competition or communication.

Informed Assent and Significant Neglect—Testing the Truth Levels

In the examples just given, both Amazon.com and Volvo were caught in acts of deceit because someone cared about the communication in the first place. In today's world of information overload, businesses try to target communication to customers who need to make positive decisions about their products or services (decisions that will enhance the profits of the company). They also must communicate with those who can harm a company or impede its progress, such as regulators, media, and activist groups. Sometimes, as with Amazon.com and Volvo, positives become negatives when information they attempt to hide gets out anyway. This raises the question of when is enough information given, and when does hidden information become damaging? This may depend on the relative importance of the information.

We believe there is a correlation between how much the market segments scrutinize communication and the possible impact of decisions that arise from that information. When the stakes are small, people seem more willing to accept invented truths or even deceits. For example,

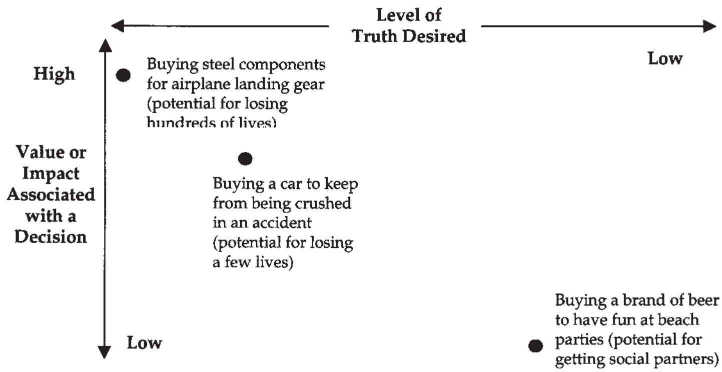

Figure 2 The sliding scale of scrutiny in truth telling.

most people in the United States believe that the *National Enquirer* stretches credibility, but they do not care because the information is of little consequence. Most people also accept that corporate advertisements embellish the truth and thus fall into the selective or invented truth categories. However, when significant dollars or lives are at stake, discerning consumers of information demand much more truthfulness and accuracy. This is illustrated in Figure 2.

Perhaps the level of truth chart could better help information consumers assess truth if two more concepts were included in the decision-making process. These concepts are informed assent and significant omitted truth. Informed assent would operate on the positive end of the truth-telling scale, whereas significant omitted truth is in the negative end. If people have sufficient information (positive or not) by which to make appropriate decisions, then those decisions are based on informed assent. If, however, a company hides information that is critical to making decisions and no other source is able to reveal the information, then information recipients are making decisions in the face of significant omitted truths. The omitted truths become significant because they curtail informed assent and the results are harmful. The Bridgestone tire crisis was an excellent example of significant omitted truths. The company omitted crucial information about unsafe tires for long periods of time, apparently intending to be spared financial loss and undue embarrassment. No other source was able to learn enough about the impending danger or the company's omissions in time to force resolution of the problem. By the time the truth was revealed, hundreds of deaths already had been attributed to the faulty tires. The irony is that with the truth out, Bridgestone suffered worse damage than it tried to avoid, in terms of credibility, profitability, and perhaps even survival.

Considering that most business communication is less than pure truth and that each market segment shares responsibility for assessing communication in line with its own priority virtues, informed assent and significant omitted truth provide distinct separation of where ultimate responsibility for truth rests. If individuals fail to assess the typical selective or inventive truths, and this leads to poor decisions, they must suffer the consequences of their choices. However, if a company has omitted significant truths and put individuals or society in harm's way, then that company should be subjected to full legal and reputational liability.

What About the Disenfranchised?

Before ending this discussion, it must be acknowledged that even with today's omnipresent and instantaneous communication, billions of people in the world still lack access. Should these people just be ignored in this equation of global business ethics? We believe the answer is "no"; in fact, the widening disparity between wealthy nations and the disenfranchised increases the need for a global business communication ethic.

When Nestlé® received global sanctions for placing infant formula into developing nations, it was marketing and communication mistakes, not the product itself, that caused severe damage. When mothers in these nations bought the formula and mixed it with unsafe water, they had insufficient information for exercising informed assent. This was not necessarily a result of significant neglected truths from Nestlé, but from inadequate information and education channels in these underdeveloped nations.

Ironically, the lack of access for the disenfranchised exemplifies the value of an ethic based on the obligation of each market segment to discern truth. Nestlé attempted to market its infant formula in developing countries to satisfy its number one business virtue, profit. In doing so, company officials failed to consider the number one priority of community—in this case, a global community—product safety. Had they possessed the vision to consider this long-term priority, they would have realized the danger of a product that requires whatever water is available. With this vision, they could have avoided future damage to their own credibility and ultimately to their profits. Nike® and Wal-Mart® suffered similar damage due to market segment scrutiny of alleged human rights abuses in developing nations.

In a society where more and more groups have access to more and more information, disenfranchised citizens who previously had little ability to speak for themselves are beginning to access interest groups who can speak for them. Without global watchdogs who constantly communicate with each other and who cooperate to impose change, there would have been no means for mothers to pressure Nestlé, or for young female workers in Indonesia and Malaysia to put pressure on Nike or on their own authoritarian governments.

It is this global activism, even where disenfranchisement has been prevalent, that is forcing corporations to rethink policies regarding what to communicate and what to hide. This global activism is what renders businesses fearful of stonewalling significant neglected truths or of otherwise being unethical in their communication to the outside world, and global activism is what indicates that when the market segments bear responsibility for making decisions about communication, a consumer-based ethic can be successful.

Summary and Conclusions

In this treatise, we have outlined the moral interrelationships between businesses and their market segments, or stakeholders as some call them. The communication arena has changed considerably as the world has progressed from the Cold War to the age of globalization. During the Cold War, those in power were able to control information. Today, the variety and global reach of information has rendered it widely accessible. This forces greater transparency onto businesses and governments, whether they wish for it or not.

We believe that the moral context of business communication cannot be separated from the competitive nature of the business world. With globalization comes evidence that governments are losing the power to intervene, and free enterprise is winning out over controlled economics. This creates a greater competitive urgency among companies that are driven not only to survive, but to thrive within the rigors of unfettered capitalism.

Businesses by nature seek profitability, and communication about products and services will always be designed to that end. To a lesser degree, they also value the virtues of vision, credibility, safety, and stability. Four other market segments that have interests in the company—investors, employees, customers, and the community—share these virtues, but each with different priorities. Relationships between these groups are contingent on communication, and the more knowledge individuals or companies have about the priorities of the other segments, the more they will be able to understand information coming from those segments.

The moral imperative in communication between businesses and their market segments is that each of them carries certain obligations. Companies are obligated to inform their market segments, and individuals within those market segments are equally responsible for deciphering the information in terms of its truthfulness. Because companies naturally steer toward positive information, their truth levels can range from pure truth, to selective or invented truth, to deceit. It is then incumbent on the recipients of that information to evaluate its truthfulness and to make decisions related to the company and its products based on those evaluations.

With the many channels of information through which individuals can receive and share information today, there is little excuse for them to misjudge the information. If they can make decisions based on informed assent, they usually should suffer the consequences of their own poor choices. However, if they conduct due diligence in the information gathering process and still are deceived by companies who have significantly omitted truths related to these choices, and the choices lead to disastrous individual or societal consequences, there are proper avenues of recourse through the legal system. In these instances, the company that purposely omitted significant truths should be held fully accountable.

At the beginning of this article, we proposed three main questions. The first was, are there ethical boundaries in unfettered competition? The answer to that is "yes," but those boundaries can be determined by the natural course and consequences of competition in today's less-regulated environments. Is it morally responsible for one company to drive the other out of business? Some examples listed herein indicate that when this happens, the fault may rest not so much in the aggressor as in the vanquished.

The answer to the second question we discussed in greater detail. Although firms are obligated to communicate with their market segments, the responsibility to make good choices based on that information might ultimately rest with the recipient, and today there are plenty of sources by which to receive and evaluate information. If an individual understands that businesses communicate with varying levels of truth, then he or she is in a better position to evaluate those levels and act accordingly. The decision may range from purchasing a company's products or using its services, patronizing a competitor, filing a lawsuit, or joining other individuals to force the firm to change. In a society of free communications, any of these choices are available and appropriate.

The third question asked, who is in charge of the global economy and its conventions? The answer would appear to be that no on is in charge, but that stakeholder groups affect each other by keeping their own boats in the race.

No doubt proposing that ethical choices ultimately rest with the recipient of business communication, rather than placing responsibility on businesses to ethically communicate, can generate controversy. The purpose of this article was not to absolve businesses of any blame for intentionally manipulating their market segments. Indeed, we believe that ethical codes for business conduct and communication should be strengthened. However, the typical ethical code in circulation today imposes moral values on businesses while ignoring the responsibilities that rest with those who associate with the companies or receive their communication. For free enterprise to be ultimately free, information consumers must accept that responsibility.

References

Deaver, F. (1990). On defining truth. *Journal of Mass Media Ethics, 5,* 168–178.

Donaldson, T. (1989). *The ethics of international business.* New York: Oxford University Press.

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

Friedman, T. L. (1999). *The Lexus and the olive tree.* New York: Anchor.

Holsendolph, E. (1999, June 18). Owning up can cut the damage. *The Atlanta Journal-Constitution,* p. H–2. Retrieved September 18, 2001 from the World Wide Web: http://www.ajc.com

Martinez, M. J. (2000, September 29). Amazon answers to 'test pricing' claims. *The Provo (Utah) Daily Herald* (*AP Business Writer*), p. B7.

Maslow, A. (1970). *Motivation and personality* (2nd ed.). New York: Harper & Row.

Naughton, K., & Hosenball, M. (2000, September 18). Ford vs. Firestone. *Newsweek,* pp. 26–28.

Roughton, B., Jr., & Unger, H. (1999, June 22). Multi-front effort seeks to restore confidence. *The Atlanta Journal-Constitution,* p. D–1. Retrieved Retrieved September 18, 2001 from the World Wide Web: http://www.ajc.com

Streitfeld, D. (2000, Sept. 28). Web asks, how much can you pay? *International Herald Tribune,* p. X. Retrieved Retrieved September 18, 2001 from the World Wide Web: http://www.iht.com

Vogl, F., & Sinclair, J. (1996). *Boom: Visions and insights for creating wealth in the 21st century.* Chicago: Irwin.

Wilson, L. J. (1996). Strategic cooperative communities: A synthesis of strategic, issue management and relationship building approaches in public relations. In H. M. Culbertson & N. Chen (Eds.), *International public relations: A comparative analysis* (pp. 67–80). Mahwah, NJ: Lawrence Erlbaum Associates, Inc.

Woller, G. M. (1997). Business ethics, society, and Adam Smith: Some observations on the liberal business ethos. *Journal of Socio-Economics, 25,* 311–332.