International Journal of Multidisciplinary and Current Research ISSN: 2321-3124
Research Article Available at: http://ijmcr.com

Exploring Effects of Marketing on Corporate Performance of a Public Company in an Emerging Market

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Accepted 02 Nov 2016, Available online 04 Nov 2016, **Vol.4 (Nov/Dec 2016 issue)**

Abstract

Applying the marketing ethics framework, we explore the effect of marketing ethics on corporate performance of a public company in emerging market. Specifically, the paper explores marketing ethics on corporate performance of Kenya Power Company in Western Kenya. To achieve this a sample of 225 respondents drawn from Kakamega, Bungoma and Webuye branches of Kenya Power Company is used to provide data. A survey design, which describes existing, observed phenomena and also established casual relationship was applied. Regression analysis among the variables is conducted to statistically test the hypotheses. The findings of marketing ethics on corporate performance of public company gave a strong positive coefficient. The paper concludes that marketing ethics strongly affect corporate performance of public company in Kenya. On the basis of these findings, the paper recommends that managers of public companies as well as pro marketing ethics scholars and policy markers should understand the effect of marketing ethics on corporate companies in emerging markets.

Keywords: *Marketing Ethics, Corporate Performance, public company, emerging market*

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1. Introduction

The world and specifically the Kenyan business environment have increasingly become very, competitive and rapidly dynamic (Christensen, 2004). Keeping up with the pace requires that business transactions be conducted in a manner that observes high marketing ethical. In this regard, managers and the ethicality of their conduct in the day to day running of their respective organizations is of critical significance to many business transactions. As in any social group, marketing ethics is inevitable in organizations. Research has already shown that marketing ethics does pay. Since unethical marketing practices cost the industries billions of dollars a year and damage the images of corporations, the emphasis on ethical behaviour in organizations has increased over the recent years (Maheshwari & Sunil, 2006).

The much publicized boardroom saga at CMC Group and the concomitant revelations of insider trading with Andy Forwarders Limited; a company associated with one of its key shareholders is a case in point. Further afield, the legendary corporate scandals at Enron in the USA and later on WorldCom are still fresh in the minds of many a mangers and were the basis of Sarbanes-Oxley Act of 2002 (Pierce & Robinson (2011). These cases provide the basis of analyzing the critical role played by business values and marketing ethics and underscore managers' inalienable moral obligation to the interests of stakeholders because in the business world, marketing ethics often is the best policy (Blackwell, 2005).

This therefore reinforces the need for large state corporations like Kenya Power Company to embrace marketing ethics in their daily operations. The company recently rebranded by having a new logo, core values (Customer first, One team, Passion, Integrity, Excellence) and a newer brand name. This necessitated a change of policy, strategic architecture and has helped overhaul its overall outlook to its societal social responsiveness.

A few researches of marketing ethics in public companies have been conducted in emerging markets have centred on ethical issues in general in private companies (Blackwell 2005). In Kenya, studies conducted have concentrated on business practices other than marketing ethics, which is one of the core ethics of any business (Mwirigi, 2002).

Applying the framework of marketing ethics and corporate performance regression, our research will argue that marketing ethics has a positive effect on the corporate performance of a public company in emerging market. Marketing ethics framework according to Boatright (2000) has three concepts, namely fairness (justice), freedom and wellbeing that affect the corporate performance of the companies. This research will explore the effect of marketing ethics on corporate performance of a public company in emerging market. Specifically, we argue that marketing ethics affects the corporate performance of Kenya Power Company in Western Kenya. This paper consists of six sections; after this introduction we examine the theory and hypothesis in which primary tenets of marketing ethics framework have been discussed. Hypothesis of the study has been developed within the discussion of the literature. The data collection procedure, sample and methodology of research have been presented within the third section. Analysis and results have been indicated in the fourth section. The fifth section gives discussions and implications of the data. The conclusion and recommendations are presented in the last section.

2. Theory And Hypothesis

2.1 Marketing Ethics Theory

There are many theoretical and empirical studies, which examine marketing ethics and performance of companies. In context of this study, we adopted the framework of marketing ethics by Boartright (2006). According to this author, most ethical issues in marketing involve three concepts, fairness (justice), freedom and well-being. Fairness (Justice) is a basic moral requirement of any market transaction. And as Gichure (1997) explains, in any given market transaction, each party gives up something of value in return for something they value more. Such exchanges are fair and mutually beneficial as long as each party acts freely and has adequate information, there is no coercion or manipulation and any vulnerable parties (e.g. children, minorities) are protected.

Freedom is an issue in marketing ethics with respect to consumers having a range of options. Freedom is denied when marketers engage in deceptive or manipulative practices e.g. taking advantage of vulnerable populations, Large retailers using their muscle to force unfavorable agreements on small retailers in distribution channels, marketing researchers invading the privacy of subjects against their will.

Well Being refers to the consideration in evaluating the social impact of products and advertising as well as product safety. It can be expressed in terms of protection from harmful products and services extended to consumers.

When the mentioned marketing ethics are observed by managers good corporate performance is achieved in the company. Blackwell (2005) and Murphy (1995) posits that challenges of adopting these marketing ethics are regulation, organization leadership, social responsibility, candid communication and advertising.

2.2 Corporate Performance and Marketing Ethics

2.2.1 Corporate Performance

Corporate performance can be described as the overall improvement or otherwise of key indicators in an organization's business strategy. Some of the key indicators include, profitability, revenue, sales, market share, brand equity, etc. In the contemporary business arena, the mantra of corporate performance is slowly shifting to other socially inclusive areas besides the traditional motives of organizational existence - profit maximization and increased shareholder value (Lynch, 1997).

Gitman & McDaniel (2002), explore this further by saying that today's society is much more saddled with non-commercial issues since most companies are now more than ever before, concerned with how they are perceived within their micro and macro environs. Emphasis is now slowly shifting from the stockholder, to the stakeholder and as Adam Smith says in his book, Theory of Moral Sentiments (1790), that "Man ought to regard himself not as something separated and detached but as a citizen of the world, a member of the vast commonwealth of nature and to the interest of this greater community, he ought at all times to be willing that his little interest should be sacrificed". This implies that a corporate entity has to view its existence not in its own contextual nexus but from the wider societal point of view (Mwirigi, 2002).

Kotler & Armstrong (1997) go further to postulate that this is the emerging scenario worldwide and changing trend in the business of marketing call for conscientious marketers to face many moral dilemmas. The best thing to do or action to take is often unclear, because not all marketing managers have fine moral sensitivity.

Mellahi & Wood (2003) contend that the ethical duties (if any) of the marketing manager, the role of codes of ethics in marketing and new forms of relationship between the customer and the client constitute what ethics in marketing should be. Finally, though it is worthwhile to attain the end merely for oneself or for the businessman, it is finer and more godlike to attain it for a nation or for states. This should be the overriding principle guide to every business manager. It is the import of this study to portray the inalienable fact that the end does not always justify the means as far as organizational performance goal is concerned. Customers should be protected from unethical marketing activities, deceptive advertising, unregulated promotional activities and improper conduct by marketing professionals.

2.2.2 Marketing Ethics

Murphy (2006) defines marketing ethics as being a subset of business ethics that deals with the systematic study of how moral standards are applied to marketing decisions, behavior and institutions. It is in essence an examination of moral issues faced by marketing practitioners and organizations. Some of the topics that fall under the rubric of marketing ethics are; product safety, liability, advertising truthfulness and honesty, fairness in pricing, power within distribution channels, privacy in internet and e-marketing and honesty in selling (Mellahi & Wood, 2003).

England (2006) gives a historical perspective of marketing ethics. She says that historically, there have been two points of view on the study of ethics in marketing. The first is "let the buyer beware" and the other point of view is "let the seller beware" England goes further to show the pitfalls of both analogies as relates to the customer's perspectives. That is, there must be conflicts that will arise out of these two competing viewpoints that have to be addressed.

Murphy & Laczniak (1981) on the other hand affirm that marketing ethics is not a recent phenomenon. It has roots in the 60s' in the USA when some of the first articles on the subject started appearing. These were however, in most parts, philosophical essays. The early empirical work dealing with the decision making process tended to be lacking in theoretical foundation. Throughout the 70s', there was modest research on the subject. In the 1980s however, a major research thrust was devoted to examining ethics in marketing through the works of Leigh and Murphy.

Laczniak (1993) observed that the state of marketing ethics research at that time was increasingly characterized as having broader coverage, greater academic feasibility and a developing a theoretical and empirical foundation. Murphy (2006) wrote that marketing ethics came of age in the 90s' and that substantial attention has been devoted to the topic in the academic and business press in the preceding years up to the present times. It has now come of age as an academic discipline and is not uncommon nowadays to see journal articles that examine theoretical foundations or empirical results on this topic such as the Journal of Macro-Marketing.

In Kenya, ethical marketing issues can be traced to the year 1978 when the Marketing Society of Kenya (MSK) was established. This period up to now has witnessed the field move from what was earlier on believed to be an oxymoronic stage to one of academic legitimacy. This transition is now being slowly immortalized by Marketers worldwide through their diverse codes of ethics and conduct. The MSK has an established code of ethics that all its registered members need to adhere to.

2.3 Hypothesis Development

Investigation of the relationship between marketing ethics and corporate performance was the main objective of this research. Traditional explanation for the positive relationship between marketing ethics and performance of companies rests on Boartright (2006). He argues that marketing ethics involve three concepts, fairness (justice), freedom and well-being. This study aimed to fill the gap in the literature by testing the effect of marketing ethics on corporate performance of a public company in emerging market. Specifically, the following subsection discusses the relationship between marketing ethics and corporate performance. Further, the hypothesis is generated.

2.3.1 Marketing Ethics and Corporate Performance

Boatright (2000) in his work avers that marketing ethics has three concepts, namely fairness (justice), freedom and wellbeing that affect the corporate performance of the companies. The performance can take overall improvement or otherwise of key indicators in an organization's business strategy. Blackwell (2006) in his work discovered that marketing ethics affected the performance of private companies in developed countries. He demonstrated how this ethics could be inculcated in the company. Thus companies that practice good marketing ethics experience good performance. Consistent with this logic, we hypothesize that:

H_0: Marketing ethics has a positive effect on corporate performance of public company

Figure 1 below, displays the hypothesized relationship between marketing ethics and corporate performance

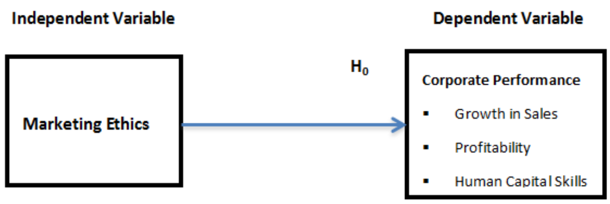

Figure 1: Hypothesized Model of Relationship between Marketing Ethics and Corporate Performance

3. Data and Methods

3.1 Data Collecting Procedure and Sample

The data used in this research was collected from 225 respondents in Western Kenya's towns of Kakamega, Bungoma and Webuye branches of Kenya Power Company identified by stratified random sampling where each respondent has equal chance of being selected. A survey design, which describes existing, observed phenomena and also established casual relationship was applied. Primary data including marketing ethics and corporate performance was gathered using questionnaire. A total number of 118 questionnaires were issued of which 106 (89.84%) were returned from different departments. Such a response is considered statistically sufficient to give a reliable estimation of the population parameters (Kerlinger & Lee, 2000).

The biographic data have shown that 56% of respondents were customers, 58% of respondents were aged between 18 to 30 years, 78% of respondents were males, 54% of the respondents had attained at least secondary level of education, and 46% of the respondents had associated themselves with Kenya Power Company for 4 to 6 years.

3.2 Measures of Constructs

Constructs were measured with dimensions adapted from the marketing ethics concepts such as Boartright (2006);

Blackwell (2006); Gitman & McDaniel (2002); Gichure (1997); Kotler & Armstrong (1997); and Murphy (1995) as well as those generated from the literature of corporate performance. All items were measured on a five point Likert type scale where 1 = strongly disagree and 5 = strongly agree. Mean scales scores were computed for all measures. We used the Cronbach's alpha to estimate reliability and validity for scales. A total of 13 items were applied in which 10 items measured marketing ethics and 3 items gauged corporate performance.

4. Analysis and Results

4.1 Correlation Analysis

Before testing hypothesis of the research, correlation analysis was conducted between marketing ethics and corporate performance constructs. The findings of correlations and descriptive statistic analyses are presented in Table 1 below.

Table 1: Correlations and Descriptive Statistics of Marketing Ethics and Corporate Performance

Variable	1	2	3	4
1. Fairness	1.000			
2. Freedom	0.511***	1.000		
3. Wellbeing	0.250***	0.275***		
4. Corporate Performance	0.630***	0.581***	0.600***	1.000
Observation (N) 106				
Mean	4.1398	4.1935	4.2231	3.9059
Standard Deviation	0.5967	0.5929	0.4959	0.7411

Note: Statistical significance * $p< .05$, ** $p< 0.01$, *** $p < 0.001$

4.2 Hypothesis Testing

Correlation analyses have given some evidence of individual effects of constructs of marketing ethics on corporate performance as a simple linear regression analyses (Cohen et al., 2003). The regression model used for the analysis is as follows:

$$P= \alpha + \beta_1 ME + e$$

Where dependent variable P is corporate performance of public company in emerging market, Western Kenya and independent variable ME is marketing ethics. "α" is the intercept term. β_1 is the coefficient or slope of the independent variable. "e" is the error or regression residual term.

Table 2 presents the findings of regression analysis. The findings of the regression between corporate performance and marketing ethics constructs yielded the coefficient of F (3,103) = 50.141 (p < .001) and the regression coefficient of R^2 = .617 (p< .001). These results denoted that the model was statistically significant and explained 61.7 percent of variance in corporate performance. This indicates that the effect of marketing ethics on corporate performance is significant (p< .001). Furthermore, the regression coefficients for all the three marketing ethics constructs were statistically significant with freedom construct recording a highest Beta value (β = .418, p< .001), wellbeing (β = .368, p< .001) and fairness (β = .356, p< .001). These coefficients are positively associated with corporate performance. The results suggest that the increase in management efforts results to the following; first, fairness is practiced in the distribution of services to the customers; freedom of customers and employees of Kenya Power Company is guaranteed, and lastly, the wellbeing of customers is ensured in all undertakings. Thus the findings provide strong support for H_0: Marketing ethics has a positive effect on corporate performance of public company.

Table 2: Effect of Marketing Ethics on Corporate Performance of Kenya Power Company

Variable		β	t- Test	p- Value	PCC	VIF
Constant		1.040	4.011	0.000		
Fairness		0.356***	2.963	0.000	0.144	1.378
Freedom		0.418***	3.469	0.000	0.108	1.398
Wellbeing		0.368***	3.770	0.000	0.255	1.101
Observation (N)	106					
R Square		0.617***		0.000		
Adj. R Square		0.607***		0.000		
F- Value (3, 103)		50.141***		0.000		

Note: Statistical significance * $p < .05$, ** $p < 0.01$, *** $p < 0.001$

5. Discussion and Implication

The study can generate a few theoretical implications. Firstly, these results support the theoretical and empirical research findings on marketing ethics and corporate performance of companies by Boartright (2006); Blackwell (2006); Gitman & McDaniel (2002); Gichure (1997); Kotler & Armstrong (1997); and Murphy (1995). The point of distinction is that the marketing constructs in this study denotes moderately high explanatory power (61.7 percent) compared to theirs, which indicated regression coefficients to be lower than this one. The results of this study extended the literature further by showing that the public companies in Kenya could benefit from corporate performance by practicing good marketing ethics. Finally, this study broadens the factors that affect corporate performance of the companies in an attempt to contribute and to organize the large body of academic literature on marketing ethics constructs. The principal challenge to proponents of marketing ethics research is to identify the ethics of marketing that lead to corporate performance, and then theoretically predict and empirically verify the forms of this phenomenon that produce the best results for public companies in various business and industry contexts.

A number of practical or managerial implications could also be derived from this study. Firstly, it appeared that marketing ethics are vital elements for corporate performance of public companies. Therefore, managers of public companies should seriously consider marketing ethics as effective tools for enhancing corporate performance in their companies. Lastly, the growing significance of marketing ethics in corporate performance of public companies in the emerging markets, demands the managers to identify types of marketing ethics that lead to corporate performance.

Conclusion and Recommendation

This study utilized the marketing ethics framework to explore the effect of marketing ethics on corporate performance of public company in Western Kenya. Data collected from 106 firms discovered that all the three constructs of marketing ethics (fairness, freedom and wellbeing) had a positive and significant effect on corporate performance of public company. From these findings, it is evident that marketing ethics strongly affect corporate performance of public company in Kenya. It is therefore recommended that managers of public companies as well as pro marketing ethics scholars and policy markers should understand the effect of marketing ethics on corporate companies in emerging markets.

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