

## ALTERNATE VIEWS ON THE PURPOSE OF BUSINESS: A RESOURCE FOR MARKETING ETHICS INSTRUCTION

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### ABSTRACT

Recent ethical lapses of businesses have raised concerns about the shareholder wealth maximization (SWM) paradigm and many have prompted business schools to re-think their teaching about the purpose of business. In response, this paper compares the worldviews of the shareholder, stakeholder, and stewardship paradigms and their implications for marketing. It is hoped that in reading and discussing these ideas students will formulate a more noble vision of business and marketing.

### THE PARADIGMS

Three underlying dimensions provide a framework for comparing the paradigms: the importance of economic and social outcomes; the presumptions about the nature of humankind; and, the nature of the ethical duty of business. The paradigms' worldviews reflect differing values that have far reaching implications for the practice of marketing.

SWM, the dominant paradigm, centers on economic outcomes, self-interest, economic rationality, and property rights (Donaldson & Preston, 1995). Egoistic hedonism is its moral framework (Jones & Wicks, 1999). It has been criticized for exacerbating the moral failures of business; having a narrow, simplistic view on the nature of humankind; compartmentalizing the economic, social, and moral aspects of persons; seeing people and the environment instrumentally; and, for inadequately portraying the role of managers (Shankman, 1999).

Under SWM, market selection is driven by potential for sales and profits. Low assay or high-cost-to-serve customers go underserved. Customer-oriented practices are predicated upon expected return and relationship marketing is denominated in economic terms. Customers are expected to protect their own interests.

In the stakeholder paradigm (SKH), the primary contender to SWM, firms exist to achieve the economic and social interests of stakeholders (Donaldson & Preston, 1995; Freeman, Wicks & Parmar, 2004). It is built on ethical idealism and

emphasizes business ethics and responsibility. Persons are complex and have inherent dignity (Charron, 2007; Donaldson & Preston, 1995; Gibson, 2000; Jones & Wicks, 1999). Property rights are embedded within human rights. Shareholders' property rights are not elevated above others (Freeman, Wicks & Parmar, 2004).

SKH is criticized for being too focused on social responsibilities; overly optimistic about human nature; overemphasizing the social sphere (Charron, 2007; Key, 1999; Shankman, 1999); diminishing entrepreneurial incentives (Dufresne & Wong, 1996); diminishing property rights; and, for placing management as the arbiter of stakeholder interests.

SKH heavily emphasizes relationship marketing and brand development. Markets may include disadvantaged persons. Marketing highlights a firm's social commitments and values as part of its value proposition.

The stewardship paradigm (STW), a new development, proposes that the purpose of business is to contribute to the flourishing of humankind and the natural environment as a partner with other institutions. This approach is similar to SKH, but differs in its view of the roles of profits and management. Profit is seen as a necessary resource, but not as an end in itself. Management leads a firm forward in pursuit of its purpose, acting as stewards with "positive" ethics. It is based on moral idealism, particularly as expressed in the Judeo-Christian worldview concepts of shalom, justice, covenant, and "other-interestedness."

STW has been criticized for underplaying the importance of profitability. It also shares many of the other criticisms raised about SKH.

Under STW/AWDB relationship marketing takes on a genuinely authentic, caring nature in a regimen built around high customer-orientation and long-term relationships.

**References and Exhibits Available on Request**