

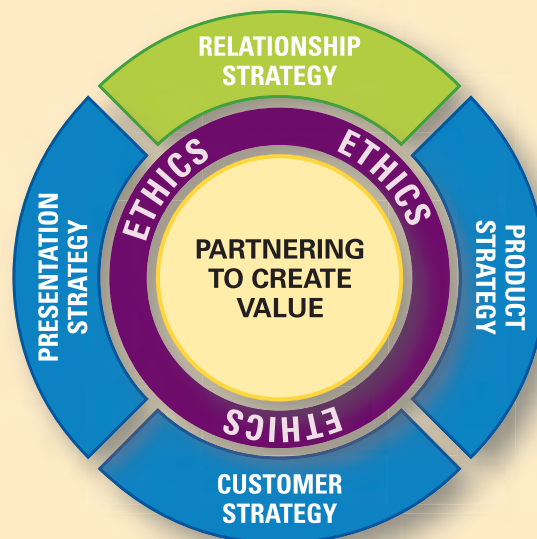
# Chapter 3

## Ethics: The Foundation for Relationships That Create Value

### Learning Objectives

After studying this chapter, you should be able to

- 1 Explain the importance of developing a relationship strategy.
- 2 Describe issues that challenge the ethical decision making of salespeople.
- 3 Describe the factors that influence the ethical conduct of sales personnel.
- 4 Describe how ethical decisions influence the building of partnering relationships in selling.
- 5 Discuss guidelines for developing a personal code of ethics that create value.



### Reality Selling Video—Edith Botello/Mattress Firm

Edith Botello started her career as a salesperson with Mattress Firm ([www.mattressfirm.com](http://www.mattressfirm.com)), one of the world's largest and most successful retailers in the specialty bedding market. Edith is currently the assistant manager of one of the company's 560 stores. She is responsible for the sales productivity, maintenance, and merchandising of the store. Within her district, she is also an in-market trainer, recruiter, and intern coordinator.

Edith believes that qualifying (the term used by Mattress Firm to describe need identification) and listening are the most important skills to be a successful salesperson in her industry. Therefore, she really tries to understand why customers come to visit her and what will make them get a great night's sleep. People come into her store with a wide variety of needs: Their bed is 20 years old; they are upgrading to a different size; they are buying a college bed; they need a bed for a guest bedroom; their current bed has dips and sags; they are going in for surgery next week and would like to recover on a supportive mattress; and so forth. Accordingly, Edith's goal is to ask the right questions so that she can sell them a solution based on their individual needs. Mattress Firm has taught Edith techniques on how to sell to different types of people. Edith believes that the main



Michael Aheame

reason many salespeople are successful is that they get their customers to believe in them by educating the customers and making them feel great about their purchase. Edith feels very fortunate to work for a company that values training and customer service.

Building relationships with customers is very important for Edith because people typically buy from salespeople they like and trust. One way she builds relationships is by getting to know her customers and talking to them about things that interest them. As Edith puts it, you cannot expect your customers to open up to you unless you kick things off by asking questions. Edith also makes use of testimonials to demonstrate how previous customers have resolved their needs with particular sleep products. Customers like to hear that their salesperson has experience dealing with, and finding solutions to, problems they are encountering.

## DEVELOPING A RELATIONSHIP STRATEGY FOR PARTNERING-STYLE SELLING

DEVELOPING AND APPLYING THE WIDE RANGE OF INTERPERSONAL SKILLS NEEDED in today's complex sales environment can be challenging. Daniel Goleman, author of the bestselling books *Emotional Intelligence* and *Working with Emotional Intelligence*, notes that there are many forms of intelligence that influence our actions throughout life.

### Emotional Intelligence

One of these, **emotional intelligence**, refers to the capacity for monitoring our own feelings and those of others, for motivating ourselves, and for managing emotions well in ourselves and in our relationships. People with a high level of emotional intelligence display

**emotional intelligence** The capacity for recognizing our own feelings and those of others, for motivating ourselves, and for managing emotions effectively in ourselves and our relationships.

Strategic/Consultative Selling Model	
Strategic Step	Prescription
Develop a Personal Selling Philosophy	<input checked="" type="checkbox"/> Adopt Marketing Concept <input checked="" type="checkbox"/> Value Personal Selling <input checked="" type="checkbox"/> Become a Problem Solver/Partner
Develop a Relationship Strategy	<input type="checkbox"/> Maintain High Ethical Standards <input type="checkbox"/> Project Professional Image <input type="checkbox"/> Manage the Relationship Process

**Figure 3.1** Every salesperson should have an ongoing goal of developing a relationship strategy that adds value to the sale.

many of the qualities needed in sales work: self-confidence, trustworthiness, adaptability, initiative, optimism, empathy, and well developed social skills.<sup>1</sup>

Goleman and other researchers state that there are widespread exceptions to the rule that IQ predicts success. In the field of personal selling and most other business occupations, emotional intelligence is a much greater predictor of success.<sup>2</sup> The good news is that emotional intelligence can be enhanced with a variety of self-development activities, many of which are discussed in these chapters on developing a relationship strategy that results in partnering-style relationships that add value.

Information-age selling involves three major relationship challenges. The first major challenge is building new relationships. Salespeople who can quickly build rapport with new prospects have a much greater chance of achieving success in personal selling. The second major challenge is transforming relationships from the personal level to the business level. Once rapport is established, the salesperson is in a stronger position to begin the need identification process. The third major challenge is the management of relationships. Successful salespeople must manage many different relationships.<sup>3</sup> Salespeople must develop relationship management strategies that focus on many individuals and key groups.

In this chapter, we introduce the importance of maintaining high ethical standards as the very foundation to build long-term partnering-style relationships that create value. Chapter 4 focuses on a win-win philosophy and discusses the importance of projecting a professional image. Chapter 5, on adaptive selling, explains how an understanding of our own communication style and that of the customer can help us better manage a relationship process that adds value (see Fig. 3.1).

## Issues Challenging the Ethics of Salespeople

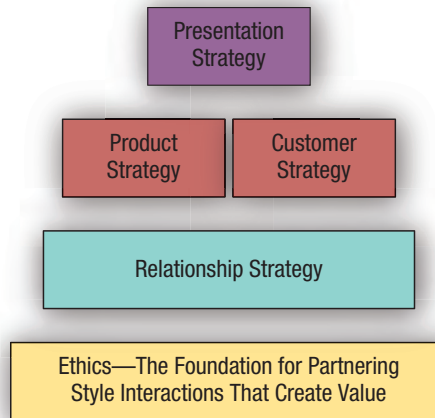
In the field of personal selling, the temptation to maximize short-term gains by some type of unethical conduct is always present and occurs more often than in most other careers. Salespeople are especially vulnerable to unethical decision making because they are subject to many temptations. These temptations are often motivated by offers from clients, competitors, company personnel, and suppliers, and may involve personal gain on the part of the salesperson. While attractive to one or more of the stakeholders associated with the sale in the short run, they serve as the basis for the

destruction of long-term relationship, product, customer, and presentation strategies. A few examples follow:

- A customer asks you to create a set of product specifications for completing a sales proposal. A new supplier of yours indicates a sizable direct cash payment would be made to you if you listed the supplier's technical data in the specifications. What would you do?
- You work with the research and development departments of the companies you call on, and therefore are trusted with confidential information about strategic new product development. One of your larger clients has asked if you could help them with a project by answering some questions about their competitor's research activities. How would you respond?
- Your competition, whom you know well, wants to meet with you to talk about a competitive bid you will be presenting. A suggestion is made that if you will bid this job a little higher than they do, they will definitely do you the same favour on the next purchase made by your customer. What should you do?
- You have visited the buyer twice, and each time the person displayed a great deal of interest in your proposal. During a recent negotiations meeting, the buyer hinted that the order might be signed if you could provide tickets to a national sporting event. Your company has a longstanding policy that gifts are not to be given under any circumstances. What do you do?
- The competition is using exaggerated claims to close the sale of its product. Should you counteract this action by using exaggerated claims of your own to build a stronger case for your product?
- A lucrative proposal you are scheduled to make will provide only a mediocre solution to your client's problem. Your client trusts you, and you know there are better solutions that are being provided by the competition that you cannot match. What would you do?
- Your sales manager is under great pressure to increase sales. At a recent meeting of the entire sales staff, this person said, "We have to hit our numbers no matter what it takes!" Does this emotional appeal change your way of dealing with customers?
- During a recent business trip, you met an old friend and decided to have dinner together. At the end of the meal, you paid for the entire bill and left a generous tip. Do you now put these nonbusiness-related expenses on your expense account?

These ethical dilemmas arise in the field of selling. How do salespeople respond? Some ignore company policy; disregard municipal, provincial, federal, and international laws; cast aside personal values and standards of conduct; and yield to the pressure. Yielding to this pressure often destroys long-term partnering relationships, and can result in fines, monetary damages, and, in some cases, prison time.

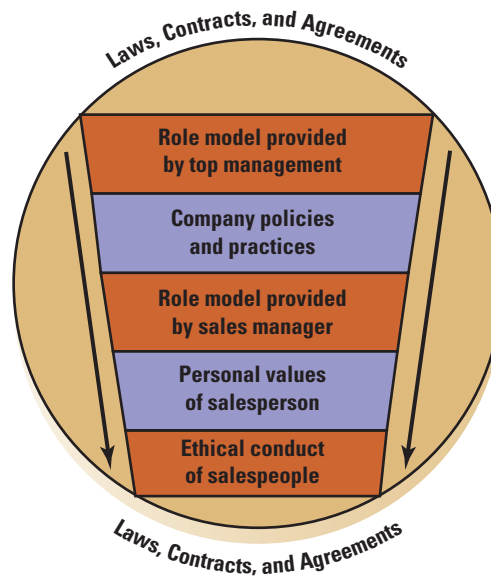
However, a large number of trusted salespersons are able to resist. They can be counted on by the various stakeholders to a sale to form highly ethical win-win relationships, fully understand the customers' buying strategies, make honest non-exaggerated claims about their product, and fully embrace a needs-based consultative presentation strategy. Therefore, in the partnering-style seller/buyer relationship, a high level of ethical decision making becomes the foundation for creating value (see Fig. 3.2).



**Figure 3.2** Ethical decision making is the foundation for partnering-style relationship, product, customer, and presentation strategies.

## FACTORS INFLUENCING ETHICAL DECISION MAKING OF SALESPEOPLE

A NUMBER OF IMPORTANT FACTORS INFLUENCE ETHICAL DECISION MAKING. THESE factors help sales and marketing personnel to distinguish right from wrong. Figure 3.3 outlines the forces that can help salespeople deal honestly and openly with prospects at all times.



**Figure 3.3** Factors Influencing the Ethical Behaviour of Salespeople  
In personal selling, the temptation to maximize short-term gains by some type of unethical conduct is always present. The forces in this figure can help salespeople deal honestly and openly with prospects at all times.

## Influences in a Global Economy

Ethical and legal issues that are quite complex on the domestic scene become even more complicated at the international level. International business is growing, and Canada is deeply involved in the global marketplace. Thomas Friedman, author of the best-selling book *The World Is Flat: A Brief History of the Twenty-First Century*, says today's highly competitive and global marketplace is flattening the world of international business. In order to compete with China, India, and other dynamic economies, Canadian-based companies must adopt a more aggressive global focus.<sup>4</sup>

**Cultural Issues** Today's global marketplace reflects a kaleidoscope of cultures, each with its own unique qualities. **Culture** is the sum total of beliefs, values, knowledge, ethnic customs, and objects that people use to adapt to their environment. Cultural barriers can impede acceptance of products in foreign countries and weaken interpersonal relationships. When the salesperson understands the cultural background of the foreign customer, communication problems are less likely. Many people from Asia, Arab countries, and much of Africa prefer a more indirect style of communication and therefore value harmony, subtlety, sensitivity, and tact more than brevity.<sup>5</sup> The customer who seems to be agreeing with everything you say may have no intention of buying your product. This person may simply be displaying polite and tactful behaviours.

**culture** The sum total of beliefs, values, knowledge, ethnic customs, and objects that people use to adapt to their environment.

Perceptions of time differ from country to country. Canadians value promptness, but businesspeople from other countries often approach meetings in a more relaxed manner. Arriving late for a meeting may not be viewed as a problem. Many companies are spending thousands of dollars to make sure that employees sent abroad are culturally prepared. Eastman Chemical Company, for example, has developed a highly successful orientation program for employees who have accepted overseas assignments.<sup>6</sup>

**Legal Issues** Doing business in the global marketplace continues to be an ethical minefield. Illegal demands for bribes, kickbacks, or special fees may stand in the way of successful transactions. The Canadian and U.S. governments have enacted legislation that prohibits our companies from using bribes or kickbacks to influence foreign officials. The new U.K. Anti-Bribery Act prohibits any kind of commercial bribery. Prosecution is aggressive and penalties are severe, ranging from multimillion-dollar fines for companies and jail time for individuals. But monitoring illegal activities throughout the world is a very difficult task.<sup>7</sup> Motorola, for example, is using software to analyze invoices and payments in order to uncover possible payoffs. Gifts from suppliers to Canadian and U.S. companies can also be a problem. Each year, United Technologies sends a letter to foreign suppliers saying "we don't want gifts."<sup>8</sup>

Canadian and U.S. businesses acknowledge that it is difficult to compete with organizations from other countries that are not bound by these laws. However, the International Business Ethics Institute ([www.business-ethics.org](http://www.business-ethics.org)) believes that our companies have been a very positive role model for the rest of the business world.

**Influence of Sales Management** Ethical standards tend to filter down from the top of an organization. Employees look to company leaders for guidance. The organization's moral tone, as established by management personnel, is the most important single determinant of employee ethics. Richard Schulze, Best Buy founder and chairman, is the

The most influential ethics spokesman at Timberland is CEO Jeffrey Swartz, a third-generation CEO whose grandfather founded the company. With pride, he points out Timberland's slogan: "Boots, Brand, Belief."



ZUMA Press, Inc./Alamy

person who must put ethics concerns on the front burner and make sure that employees stay focused on that priority. The most influential ethics spokesman at Timberland is CEO Jeffrey Swartz, a third-generation CEO whose grandfather founded the company. With pride, he points out Timberland's slogan: "Boots, Brand, Belief."<sup>9</sup>

In recent years, top management has often been guided by advice from professional service firms such as McKinsey & Company, Merrill Lynch and Company, and Arthur Andersen. Too often these firms are recommending strategies that result in quick, short-term gains. Alan M. Webber, who has been studying professional service firms for

## Social Media and Selling Today

### Ethical Social Networking

Are you an active social networker? A recent study was conducted by the Ethics Resource Center that provided some important results with implications for salespeople. Do you spend more than 30 percent of your time on social network sites? Then be careful, since a recent study has shown that active social networkers see many of those activities that other people find unethical as acceptable behaviours. For example, this study found that 59 percent of active social networkers believed that "friending" a client/customer on a social network is acceptable, while only 28 percent of other workers saw it as an acceptable behaviour. Forty-two percent of active social networkers believed that tweeting or blogging negatively about your company or colleagues is also acceptable, while only 6 percent of others believed so. This divide between

active social networkers and others is crucial because if your client is from the other group, then what you think is acceptable, such as "friending" your customer on Facebook, might come across to your client as unprofessional.<sup>9</sup>

Another extremely important aspect of today's social media comes from the fact that what you post on these media can quickly go viral. For example, tweeting about how you used your sales savvy to close a deal can easily spread and reach your customer/other customers and project the wrong image of you and your company as people with self-interest and little customer focus. Companies these days are very cautious about the kind of messages that spread out from the inside and make sure that everything is consistent with their overall corporate image.

20 years, notes, “They want the money right now.” He says, “[T]o make the most money, you actually have to believe in the product or service you offer and care for the customers or clients whom you serve.”<sup>10</sup>

## Influence of Company Policies and Practices

Company policies and practices can have a major impact on the ethical conduct of salespeople. Al Rosen, who taught accounting at York University for 30 years, says that once you are hired, you become a product of your company, and its ethics drift through you. He says, “People are telling you to forget this and that—it becomes a birds-of-a-feather atmosphere.”<sup>11</sup> Many employees do not have well developed moral sensitivity and, therefore, need the guidance of ethics policies. These policies should cover distributor relations, customer service, pricing, product development, and related areas.<sup>12</sup>

Developing policy statements forces a firm to “take a stand” on various business practices. Distinguishing right from wrong can be a healthy activity for any organization. The outcome is a clearer philosophy of how to conduct business transactions. Furthermore, the efforts of salespeople can be compromised by the unethical actions of their companies. Selling products for a company that condones unethical practices is very difficult for the salesperson who maintains high ethical standards.<sup>13</sup>

Sun Life Financial—headquartered in Toronto, with offices in 22 countries serving millions of customers—provides its employees with a carefully worded document titled “Code of Business Conduct.” Employees must affirm annually their commitment to these values. Several of these values form the foundation for a corporate culture that encourages ethical behaviour.<sup>14</sup>

- **Integrity** We are committed to the highest standards of business ethics and good governance.

### Global Business Insight

## Doing Business in China

China has entered the World Trade Organization, and its leaders have promised to tear down the barriers that have frustrated foreign business representatives for so long. This country provides a huge market for foreign brands. However, doing business in China begins with a careful study of Chinese business customs.

- Patience is critical when doing business in China. Avoid taking the initiative until you fully understand the rules.
- Business entertaining is frequently done banquet style. If you host a banquet, plan your menu carefully because foods have different meanings. You will be in complete control and no one will eat or drink until you give the signal. Toasting is a ritual in China.
- Chinese businesspeople do not make deals quickly. They prefer to spend time building relationships that will last for years. Harmony is important.
- When making introductions, the oldest and highest-ranking person is introduced first. Chinese bow slightly when greeting another person and the handshake follows.
- Gift giving is a complex process in China. Gifts should be given after all business transactions have been completed. Avoid gifts that suggest death in the Chinese culture: clocks, knife openers, and handkerchiefs, for example.<sup>b</sup>



- **Customer Focus** We provide sound financial solutions for our customers and always work with their interests in mind.
- **Value** We deliver value to the customers and shareholders we serve and to the communities in which we operate.

Most marketing companies provide salespeople with guidelines in such areas as sharing confidential information, reciprocity, bribery, gift giving, entertainment, and business defamation.

**Sharing Confidential Information** Personal selling, by its very nature, promotes close working relationships. Customers often turn to salespeople for advice. They disclose confidential information freely to someone they trust. It is important that salespeople preserve the confidentiality of information they receive.

It is not unusual for a customer to disclose information that may be of great value to a competitor. This might include development of new products, plans to expand into new markets, or anticipated changes in personnel. A salesperson may be tempted to share confidential information with a representative of a competing firm. This breach of confidence might be seen as a means of gaining favour. In most cases this action will backfire. The person who receives the confidential information will quickly lose respect for the salesperson. A gossipy salesperson will seldom develop a trusting relationship with a customer.

**reciprocity** A mutual exchange of benefits, as when a firm buys products from its own customers.

**Reciprocity** Reciprocity is a mutual exchange of benefits, as when a firm buys products from its own customers. Some business firms actually maintain a policy of reciprocity. For example, a manufacturer of commercial sheets and blankets may purchase hotel services from firms that use its products. Is there anything wrong with the “you scratch my back and I’ll scratch yours” approach to doing business? The answer is sometimes yes. In some cases, the use of reciprocity borders on commercial blackmail. Salespeople have been known to approach firms that supply their company and encourage them to buy out of obligation. The firm may be forced to buy products of questionable quality at excessive prices. A business relationship based on reciprocity often has drawbacks, such as the ever-present temptation to take reciprocal customers for granted. A customer who buys out of obligation may take a back seat to customers who were won in the open market.

Personal selling, by its nature, promotes close working relationships. It is important that salespeople preserve the confidentiality of information they receive. Violation of this ethical responsibility will quickly erode a relationship with the customer.



Jeanette Dietl/Fotolia

**Bribery** The book *Arrogance and Accords: The Inside Story of the Honda Scandal* describes one of the largest commercial corruption cases in North American history. Over a 15-year period, Honda officials received more than US\$50 million in cash and gifts from dealers anxious to obtain fast-selling Honda cars and profitable franchises. When the bribery became public, 18 former Honda executives were convicted of obtaining kickbacks; most went to prison.<sup>15</sup> In some cases, a bribe is wrong from a legal standpoint. In almost all cases, the bribe is wrong from an ethical point of view. However, bribery does exist, and a salesperson must be prepared to cope with it. It helps to have a well-established company policy to use as a reference point for what is not acceptable.<sup>16</sup>

Salespeople who sell products in foreign markets need to know that giving bribes is viewed as an acceptable business practice in some cultures. However, bribes or pay-offs may violate federal government legislation. Canada has the *Corruption of Foreign Public Officials Act*, and for Canadian salespeople who work for U.S. companies, the *U.S. Foreign Corrupt Practices Act* (FCPA) may also be relevant. Lucent Technologies dismissed two high-ranking executives in China after it found potential violations of the FCPA.<sup>17</sup>

**Gift Giving** Gift giving is a common practice in Canada. However, some companies do maintain a “no gift” policy. Many companies report that their policy is either no gifts or nothing of real value. Some gifts, such as advertising novelties, planning calendars, or a meal, are of limited value and cannot be construed as a bribe or payoff.

There are some grey areas that separate a gift from a bribe. Most people agree that a token of insignificant value, such as a pen imprinted with a company logo, is an appropriate way to foster goodwill. A bribe, on the other hand, is an attempt to influence the person who is receiving the gift.

Are there right and wrong ways to handle gift giving? The answer is yes. The following guidelines will be helpful to any salesperson who is considering giving gifts to customers:

1. Do not give gifts before doing business with a customer. Do not use the gift as a substitute for effective selling methods.
2. Never convey the impression you are “buying” the customer’s business with gifts. When this happens, the gift becomes nothing more than a bribe.
3. When gift giving is done correctly, the customer will clearly view it as symbolic of your appreciation—a “no strings attached” goodwill gesture.
4. Be sure the gift is not a violation of the policies of your firm or of your customer’s firm. Some companies will not allow employees to accept gifts at all; others place a dollar limit on a gift’s value.

In summary, if you have second thoughts about giving a gift, do not do it. When you are sure some token is appropriate, keep it simple and thoughtful.

**Entertainment** Entertainment is a widespread practice in the field of selling but may be viewed by some people as a bribe. The line dividing gifts and entertainment from bribes is often quite arbitrary. Salespeople must frequently decide how to handle entertaining. A few industries see entertainment as part of the approach used to obtain new accounts. This is especially true when competing products are nearly identical. A good example is

the cardboard box industry. These products vary little in price and quality. Winning an account may involve knowing who to entertain and how to entertain.

Entertainment is a highly individualized process. One customer might enjoy a professional football game while another might be impressed most by a quiet meal at a good restaurant. The key is to get to know your customer's preferences. How does the person spend leisure time? How much time can the person spare for entertainment? You will need to answer these and other questions before you invest time and money in entertainment.

**Business Defamation** Salespeople frequently compare their product's qualities and characteristics with those of a competitor during the sales presentation. If such comparisons are inaccurate, are misleading, or slander a company's business reputation, such conduct is illegal. Competitors have sued hundreds of companies and manufacturer's representatives for making slanderous statements while selling.

What constitutes business defamation? Steven M. Sack, co-author of *The Salesperson's Legal Guide*, provides the following examples:

1. *Business slander*. This arises when an unfair and untrue oral statement is made about a competitor. The statement becomes actionable when it is communicated to a third party and can be interpreted as damaging the competitor's business reputation or the personal reputation of an individual in that business.
2. *Business libel*. This may be incurred when an unfair and untrue statement is made about a competitor in writing. The statement becomes actionable when it is communicated to a third party and can be interpreted as damaging the company.
3. *Product disparagement*. This occurs when false or deceptive comparisons or distorted claims are made concerning a competitor's product, services, or property.<sup>18</sup>

**Use of the Internet** Use of the Internet offers salespeople many advantages, but it can also create a number of ethical dilemmas. For example, email abuse has become a modern-day problem because some employees forget that their employer owns the email system. Email messages that contain inflammatory or abusive content, embarrassing gossip, or breaches of confidentiality can lead to legal liabilities. A growing number of companies are developing policies that define permissible uses of their email system.<sup>19</sup>

Some resourceful salespeople have created their own websites to alert, attract, or support clients. The rise of these "extranets" has created some problems because they often function outside of the company's jurisdiction. What should top management do if a salesperson encourages her customers to participate in a special web auction for a backlogged product? What if the salesperson makes exaggerated claims about a new product? Every marketing firm needs to carefully monitor the development and use of extranets.<sup>20</sup>

The effectiveness of company policies as a deterrent to unethical behaviour depends on two factors. The first is the firm's attitude toward employees who violate these policies. If violations are routinely ignored, the policy's effect soon erodes. Second, policies that influence personal selling need the support of the entire sales staff. Salespeople should have some voice in policy decisions; they are more apt to support policies they have helped develop.

## Ethical and Legal Issues with Recording CRM Data

Customer relationship management systems enable you to collect information about people with whom you maintain relationships, including the taking of notes. It is a good practice to record more than basic transaction information, such as personal details about your customers. Reviewing your observations about the customers' behaviour and your recording of their statements can help you understand them and their needs. Re-reading their comments about ethical issues can assist you in assessing the value of maintaining a business relationship with them.

To be fair, it is important to record only the facts concerning your observations, not necessarily your conclusions, especially if negative. Information in an electronic database can last a long time and, for reasons such as litigation or company acquisitions, can be "mobile." This means that others may form an opinion about your customer based on your recorded conclusions, with potential detrimental consequences for your customer. Because the customer may not be aware of the existence of the

information in your database, that person does not have a fair opportunity to correct any erroneous conclusions. Another reason to carefully record only the facts is the possibility that any inappropriate information may come to the attention of the customer. For example, there are reported instances in which a customer later joined the sales organization and gained access to the customer relationship management (CRM) system.

Most CRM systems contain scheduling functions, which means that you can set aside time on your calendar to attend meetings, make phone calls, and perform tasks. The scheduling tools usually include alarms, which remind you that a deadline is approaching. The disciplined use of these features can help you get your work accomplished on time. Taking advantage of the system's reminder tools can be especially important when it involves fulfilling your commitments. The system can help you build trust by reminding you to always do what you said you would do.

## Influence of the Sales Manager

The salesperson's actions often mirror the sales manager's behaviour and expectations. This is not surprising when you consider the relationship between salespeople and their supervisors. They look to their supervisors for guidance and direction. The sales manager is generally the company's closest point of contact with the sales staff. This person is usually viewed as the chief spokesperson for top management.

Sales managers generally provide new salespeople with their first orientation to company operations. They are responsible for interpreting company policy. On a continuing basis the sales manager monitors the salesperson's work and provides important feedback regarding conduct. If a salesperson violates company policy, it is usually the sales manager who is responsible for administering reprimands. If the moral fibre of a sales force begins to break down, the sales manager must shoulder a great deal of responsibility, even if it goes against "standard practice."<sup>21</sup>

Sales managers influence the ethical behaviour of salespeople by virtue of what they say and what they do. From time to time, managers must review their expectations of ethical behaviour. Salespeople are under continual pressure to abandon their personal ethical standards to achieve sales goals. Values such as integrity and honesty must receive ongoing support from the sales manager. The role of the sales manager will be discussed in more detail in Chapter 17.

## Influence of the Salesperson's Personal Values

Ann Kilpatrick, a sales representative in the transportation industry, encountered something unexpected when entertaining a potential client. The client said, "Let's go to



**Figure 3.4** The Relationship of Values, Attitudes, and Behaviour  
 Values represent the ultimate reasons salespeople have for acting as they do. Values serve as a foundation for either constructive or destructive attitudes, and these attitudes serve as a foundation for ethical or unethical behaviour.

Johnny's." She was not familiar with Johnny's but, on arrival, discovered it was a raunchy bar. Kilpatrick related that she sat there for five minutes and then said, "This is not what I was expecting. This is a sleazy place. Let's go somewhere else where we can talk." She was not willing to compromise her personal values to win a new account.<sup>22</sup>

**values** Your deep personal beliefs and preferences that influence your behaviour.

Values represent the ultimate reasons people have for acting as they do. **Values** are your deep personal beliefs and preferences that influence your behaviour. To discover what really motivates you, carefully examine what it is you value.<sup>23</sup> Values serve as a foundation for our attitudes, and our attitudes serve as a foundation for our behaviour (see Fig. 3.4). Destructive attitudes can result in unethical behaviours, whereas constructive attitudes generally create ethical behaviours. We do not adopt or discard values quickly. In fact, the development of values is a lifelong process.

Customers have a very negative view of salespeople who lack integrity. Yet the temptation to lie about a product's features or benefits grows when you are trying to meet sales quotas. Pharmacist John Craig describes a meeting with a pushy sales representative employed by a pharmaceutical company. The salesperson emphasized the wonders of a powerful, expensive painkiller but failed to describe its side effects. Craig said, "He was very pushy at the beginning," and this behaviour revealed a character flaw.<sup>24</sup>

**Values Conflict** Values help us establish our own personal standards concerning what is right and what is wrong. Ron Willingham, author of *Integrity Selling for the 21st Century*, says, "Selling success is more an issue of who you are than what you know."<sup>25</sup> A salesperson's ethics and values contribute more to sales success than do techniques or strategies. Some salespeople discover a values conflict between themselves and their employer. If you view your employer's instructions or influence as improper, you have three choices:

1. Ignore the influence of your values and engage in unethical behaviour. However, even with success, inattention to values will result in a loss of self-respect, feelings of guilt, and in some circumstances legal liability.<sup>26</sup> When salespeople experience conflicts between their actions and values, they also feel a loss of confidence and energy.<sup>27</sup> Positive energy is the result of creating value for the customer. Negative energy emerges when salespeople fail to honour and embrace their ethical values.
2. Voice strong opposition to the practice that is in conflict with your value system. Take a stand and state your beliefs. When ethical infractions occur, it's best to bring them up internally and try to influence decisions made by your peers or superiors. In some cases, doing the right thing may not be popular with others. Price Pritchett, author of *The Ethics of Excellence*, says, "Not everybody will be on your side in your struggle to do the right thing."<sup>28</sup> However, more and more companies are celebrating employees who come forward to identify questionable conduct.
3. Refuse to compromise your values and be prepared to deal with the consequences. This may mean leaving the job. It may also mean that you will be fired.

Salespeople face ethical problems and decisions every day. In this respect they are no different from doctors, lawyers, teachers, or any other professional. Ideally, they will make decisions on the basis of the values they hold.<sup>29</sup>

## Influence of Laws, Contracts, and Agreements

Take another look at Figure 3.3 (page 54) and notice that all of the key elements, personnel, and policies are influenced by laws, contracts, and agreements. Everyone involved in sales and marketing is guided by legal as well as ethical standards. We live in a society in which the legal system plays a key role in preventing people from engaging in unethical behaviour.

**Laws** The specific obligations imposed by government on the way a business operates take the form of statutes. In Canada, it is necessary for salespeople not only to know federal statutes but also to recognize that there are many provincial and territorial statutes, and that important differences exist between provinces and territories. The *Competition Act* is the major federal legislation in Canada that defines illegal practices, including price fixing, bid rigging, price discrimination, predatory pricing, double ticketing, resale price maintenance, bait and switch selling, and pyramid selling.

All Canadian provinces and territories have passed legislation that establishes a cooling-off period during which the consumer may void a contract to purchase goods or services. While the provisions of **cooling-off laws** vary from jurisdiction to jurisdiction, their primary purpose is to give customers an opportunity to reconsider a buying decision made under a salesperson's persuasive influence. In most jurisdictions, this legislation is referred to as either *The Direct Sellers Act* or *The Consumer Protection Act*.

**cooling-off laws** Provincial and territorial laws that give customers an opportunity to reconsider a buying decision made under a salesperson's persuasive influence.

**Contracts and Agreements** The word *contract* may bring to mind the familiar multipage, single-spaced documents that few people seem able to understand. A **contract** is simply a promise or promises that the courts will enforce. Oral contracts are enforceable, but written contracts are preferable, as they reduce the possibility of disagreement; courts give written contracts great weight in a lawsuit. A written contract can consist of a sales slip, a notation on a cheque, or any other writing that offers evidence of the promises that the parties made.<sup>30</sup>

**contract** An oral or written promise enforceable by law.

Salespeople are sometimes the legal representatives of their company and, therefore, must be careful when signing written contracts. They often oversee contracts with customers, suppliers, and resellers. A salesperson may be asked to sign an employment contract at the time he or she is hired. Most of these agreements include a noncompete clause. One of the most common clauses, a noncompete clause, prohibits salespeople from joining a competing firm for a year after they leave. Most clauses are legally binding even when an employee's position is cut. Employers see employment contracts as an effective way to protect intellectual property, customer lists, and other resources an employee might take to a competing firm.<sup>31</sup>

Many companies are learning that resolving legal disputes can be very costly and time-consuming. Resolving a dispute in the courts can sometimes take several years. A serious effort to prevent unethical activities can prevent costly litigation.

## BUILDING TRUST WITH THE TRANSACTIONAL, CONSULTATIVE, AND STRATEGIC ALLIANCE BUYER

EVERYONE INVOLVED IN PERSONAL SELLING MUST WORK HARD TO BUILD RELATIONSHIPS based on trust. Customers are more apt to trust salespeople they believe to be ethical, leading to a much more productive partnership.<sup>32</sup> Although trust is an essential element of every sale, the meaning of trust changes with the type of sale.<sup>33</sup>

- *Trust in transactional sales.* The primary customer focus in this type of sale is trust in the product. Is the product reliable? Is the product priced as low as possible? Can the product be delivered in a timely fashion? The transactional buyer may purchase a product from a salesperson he or she does not feel totally comfortable with if it meets their purchase criteria.
- *Trust in consultative sales.* In a consultative sale, the customer focus shifts from the product to the person who sells the product. The consultative buyer is thinking, “Can I trust this salesperson to identify my problem and offer me one or more solutions?” Customers involved in a consultative sale usually do not separate the product from the person selling it. They want to do business with a salesperson who displays such positive qualities as warmth, empathy, genuineness, competence, and integrity.
- *Trust in strategic alliance sales.* The strategic alliance buyer wants to do business with an institution that can be trusted. This buyer looks beyond the well-qualified salesperson and assesses the entire organization. A strategic alliance customer will not feel comfortable partnering with a company whose values differ greatly from his or her own. Ethical accountability will greatly influence the way an alliance partner is judged and valued.

Trust exists when we strongly believe in the integrity, ability, and character of a person or an organization. Although trust is an intangible, it is at the very core of all meaningful relationships. Trust is slowly won, but can be quickly lost.<sup>34</sup>

**business ethics** Principles and standards that guide behaviour in the world of business. They help translate your values into appropriate and effective behaviours in your day-to-day life.

## Making Ethical Decisions That Build Selling Relationships

**Business ethics** comprise principles and standards that guide behaviour in the world of business. They help translate your values into appropriate and effective behaviours in

### Selling in Action

## When the Competition Uses Negative Practices

Negative selling practices create two problems for companies with integrity. First, the salesperson must use valuable time correcting misinformation presented by the competition. Second, a sale may be delayed until the customer rejects the untruth. Jim Galtan, director of sales for Schick Technologies, Inc., the leading manufacturer of digital dental X-ray technology, often learns that the competition has said something negative

about his product. When this happens, he looks the customer in the eye and says, “Having the best product often frustrates our competition.” He also tells customers that if the competition is honest in their assessment, they should be willing to prepare a letter outlining their concerns. Galtan says documentation is the easiest way to cope with negative selling because no one’s going to document untruth.<sup>c</sup>

your day-to-day life. Whether a specific behaviour is right or wrong, ethical or unethical, is often determined by company leaders, customers, investors, the legal system, and the community.<sup>35</sup> Of course, the views of various stakeholders may be in conflict. Kickbacks and secret payoffs may be acceptable practices to the vice president of sales and marketing, yet may be viewed as unethical by members of the sales force, the board of directors, investors, and the general public.

There is no one uniform code of ethics for all salespeople as societal and relational norms can vary from person to person.<sup>36</sup> However, numerous business organizations, professional associations, and certification agencies have established written codes. The Canadian Professional Sales Association (CPSA), introduced in Chapter 1, requires all persons seeking to become a Certified Sales Professional to agree to abide to the CPSA Sales Institute Code of Ethics (see Fig. 3.5).

The CPSA Sales Institute Code of Ethics is the set of principles and standards that a certified sales professional will strive to adhere to with customers, organizations, competitors, communities and colleagues.

The Certified Sales Professional pledges and commits to uphold these standards in all activities.

I will:

1. Maintain honesty and integrity in all relationships with customers, prospective customers, and colleagues and continually work to earn their trust and respect.
2. Accurately represent my products or services to the best of my ability in a manner that places my customer or prospective customer and my company in a position that benefits both.
3. Respect and protect the proprietary and confidential information entrusted to me by my company and my customers and not engage in activities that may conflict with the best interests of my customers or my company.
4. Continually upgrade my knowledge of my products/services, skills and my industry.
5. Use the time and resources available to me only for legitimate business purposes. I will only participate in activities that are ethical and legal, and when in doubt, I will seek counsel.
6. Respect my competitors and their products and services by representing them in a manner which is honest, truthful and based on accurate information that has been substantiated.
7. Endeavour to engage in business and selling practices which contribute to a positive relationship with the community.
8. Assist and counsel my fellow sales professionals where possible in the performance of their duties.
9. Abide by and encourage others to adhere to this Code of Ethics.

As a certified sales professional, I understand that the reputation and professionalism of all salespeople depends on me as well as others engaged in the sales profession, and I will adhere to these standards to strengthen the reputation and integrity for which we all strive. I understand that failure to consistently act according to this Code of Ethics may result in the loss of the privilege of using my professional sales designation.

### Figure 3.5 The CPSA Sales Institute Code of Ethics

Source: [www.cpsa.com/institute.html](http://www.cpsa.com/institute.html). Used by permission.

With over 140 years of experience and over 12,000+ trained, the CPSA is proud to support sales professionals as they pursue sales as a respected career of choice. The CPSA Sales Institute Code of Ethics can be found online at: [www.cpsa.com/csp/cspProcess/cspCodeofEthics.aspx](http://www.cpsa.com/csp/cspProcess/cspCodeofEthics.aspx)



## Influence of Character in Ethical Decision Making

**character** Your personal standards of behaviour, including honesty, integrity, and moral strength. Your character is based on your internal values and the resulting judgments you make about what is right and what is wrong.

**integrity** Part of your character; what you have when your behaviour is in accordance with your professed standards and personal code of moral values.

Today, we recognize that character and integrity strongly influence relationships in personal selling. **Character** is composed of personal standards, including honesty, integrity, and moral strength. Your character is based on your internal values and the resulting judgments you make about what is right and what is wrong. The ethical decisions you make reflect your character strength. It is a quality that is highly respected in the field of personal selling. **Integrity** is the basic ingredient of character that is exhibited when you achieve congruence between what you know, what you say, and what you do.<sup>37</sup> Toronto-based clinical psychologist Barbara Killinger says, “Integrity is built one small step at a time, yet it can slip away seemingly overnight.”<sup>38</sup> In a world of uncertainty and rapid change, integrity has become a valuable character trait. Salespeople with integrity can be trusted to do what they say they will do. One way to achieve trustworthiness in personal selling is to refrain from deceiving or misleading the customer.

We are indebted to Stephen Covey, author of *The 7 Habits of Highly Effective People*, for helping us to better understand the relationship between character strength and success in personal selling. In his bestselling book, Stephen Covey says there are basic principles that must be integrated into our character. One example is to always do what you say you are going to do. “As we make and keep commitments, even small commitments, we begin to establish an inner integrity that gives us the awareness of self-control and courage and strength to accept more of the responsibility for our own lives.”<sup>39</sup> Fulfilling your commitments builds trust, and trust is the most important precondition of partnering relationships that create value.

Colleges and universities are beginning to play a more active role in character development. Courses that focus on business ethics are becoming increasingly common and, in many business programs, at least one such course is required. Some programs prefer to include ethics as an important component of several courses. The purpose of including ethics is not simply to point out what is right and what is wrong behaviour. It is more important to ensure students can recognize ethical situations, have a framework to assess possible actions they might take, and recognize that their decisions have real consequences for both themselves and for others.

## The Erosion of Character on Ethical Decision Making

Despite growing interest in business ethics, unethical behaviour has become all too common. A survey conducted by *Newsweek* suggests that the current generation of workers may be more tolerant of deception. Many of those involved in the survey did not view lying and cheating as unacceptable.<sup>40</sup> Employees who are involved in unethical behaviour often report that they were under pressure to act unethically or illegally on the job.

As the past decade unfolded, many large inflexible corporations were transformed into smaller, more nimble competitors. New economy thinking prevailed as business firms, large and small, worked hard to become lean, innovative, and profitable. We witnessed an almost unrelenting emphasis on earnings that was driven, in many cases, by executive greed. During this period, some of the most respected companies began to cross the ethical divide.<sup>41</sup>

A company cannot enjoy long-term success unless its employees are honest, ethical, and uncompromising about values and principles. Yet many employees engage in dishonest

practices that erode character. The collapse of Lehman Brothers, one of the largest U.S. corporations, can be traced to a culture that emphasized risk-taking, personal ambition over teamwork, and earnings growth at any cost. The new economy depends on innovation and aggressive development of markets, but actions that weaken the moral contract with employees, customers, and shareholders can have serious consequences. Let's examine some "half-truths" that have influenced the erosion of character in ethical decision making.

- *We are only in it for ourselves.* Some critics of today's moral climate feel that the current moral decline began when society's focus shifted from "what is right" to "what is right for me." In personal selling, this point of view can quickly subtract from rather than add value to a customer relationship. Fortunately, there are many salespeople for whom integrity and self-respect are basic values. Darryl Ashley, a pharmaceutical representative for Eli Lilly Company, suspected that a pharmacist (a customer) was diluting chemotherapy drugs in order to increase profit margins. Darryl shared his suspicions with one of the cancer doctors who was purchasing the drug from the pharmacist. Tests indicated that the drug had indeed been diluted.<sup>42</sup>
- *Corporations exist to maximize shareholder value.* In the past, corporations were often viewed as economic and social institutions—organizations that served a balanced group of stakeholders. In recent years, analysts, stock traders, CEOs, and the media have too often focused on a single standard of performance—share price.<sup>43</sup> Marjorie Kelly, editor of *Business Ethics*, says, "Managing a company solely for maximum share price can destroy both share price and the entire company."<sup>44</sup>

Pressure to increase "numbers" led to sales abuses at WorldCom Incorporated. Some salespeople double-booked accounts in order to make their quota and collect increased commissions. The false reporting was identified by an internal company probe and the guilty sales representatives were fired.<sup>45</sup> The same pressure led financial executives at Canada's Nortel Networks to report forecast revenues and earnings that were "out of touch with reality"; as a result, the company's CEO and a number of senior financial executives were fired.<sup>46</sup>

- *It's not wrong because everyone is doing it.* Shoshana Zuboff, contributing columnist for *Fast Company* magazine, sees widespread acceptance of wrong as normal. She points to acceptance in some industries of the belief that "It's not wrong because everyone is doing it."<sup>47</sup> Employees working for prominent companies such as Merck, WorldCom, Putman Investments, Tyco, and Edward D. Jones & Company have been involved in ethical lapses.<sup>48</sup> Most white-collar crime is committed by persons who lack character and integrity, or who had a momentary but disastrous lapse in judgment.
- *Companies need to be lean and mean.*<sup>49</sup> Downsizing has become a common practice even when the economy is strong. After layoffs, companies must deal with serious problems of low morale and mistrust of management. Those employees who remain after a company reduces its ranks often feel demoralized, overworked, and fearful. The stress of long hours and a faster pace can result in losses in quality and bad service that alienate customers. Richard Sennett, author of *The Corrosion of Character*, says that the decline of character strength can be traced to conditions that have grown out of our fast-paced, high-stress, information-driven economy. He states that character strength builds as we display loyalty, mutual commitment, and the pursuit of long-term goals.<sup>50</sup> These are the ethical qualities needed to build a foundation for strong partnering-style interactions that create value.

Character strength builds as we display loyalty, mutual commitment, and the pursuit of long-term goals. These are the qualities needed to build strong buyer–seller relationships.



Yuri Arcurs/Shutterstock

Today many business firms are struggling to align their values, ethics, and principles with the expectations of their salespeople and their customers. The process of negotiating ethical standards and practices must be ongoing. Citigroup Incorporated, the world’s largest financial services firm, is working hard to move beyond regulatory scandals. Charles Prince, Citigroup CEO, wants the company to better balance its “delivering-the-numbers” culture with a long-term attention to reputation. He readily admits that “at times, our actions have put at risk our most precious commodity—the trust of our clients, the patience of our employees, and the faith of our shareholders.”<sup>51</sup>

Can moral behaviour be taught? The National Business Ethics Survey, conducted annually by the Ethics Resource Center ([www.ethics.org](http://www.ethics.org)), found that 90 percent of employees said that ethics training is useful or somewhat useful to them. A growing number of students are completing business ethics courses as part of their business programs.<sup>52</sup>

## From the Field

### She Quits Her Job over Her Personal Code of Ethics

Birgitta Jonsdottir, during a recent whirlwind tour in Toronto, disclosed that she has had a varied career bouncing between her home country of Iceland and North America. The mother of three has been a nanny, a retail sales clerk, and a door-to-door salesperson, and is now a prominent member of parliament in Iceland.

Describing her short career in door-to-door selling, she says she “pushed a vacuum cleaner on an elderly couple

that had never bought anything on a payment plan.” As she was returning home after the sale, she had misgivings about what she had done. She realized that she used her persuasive ability for her personal benefit, selling something to someone who didn’t need it. At that point, she quit and returned to Iceland.<sup>d</sup>

## DEVELOPING A PERSONAL CODE OF ETHICS THAT ADDS VALUE

TOO OFTEN PEOPLE CONFUSE THEIR ETHICAL STANDARDS WITH LEGAL STANDARDS. They believe that if they are not breaking the law, then they are acting in an ethical manner.<sup>53</sup> A salesperson's personal code of ethics must extend beyond the legal definition of what is right and wrong. To view ethics only in terms of what is legally proper encourages the question, "What can I get by with?" A salesperson must develop a personal code of ethics that extends beyond the letter of the law.

Bruce Weinstein, a professional ethicist who is often introduced as "The Ethics Guy," offers sound advice on living an ethical life. He says we should do the right thing simply because it's the right thing to do. The only way you can build a loyal and growing client base is to demonstrate that you have the customers' own best interests at heart. You are trying to make things better for them. "Here is where ethics differs from the law. It demands more of us," says Weinstein.<sup>54</sup>

Many people considering a career in selling are troubled by the thought that they may be pressured into compromising their personal standards of right and wrong. These fears may be justified. The authors of *The Ethical Edge*, a book that examines organizations that have faced moral crises, contend that business firms have given too little thought to the issue of helping employees to function ethically within organizations.<sup>55</sup> Many salespeople wonder whether their own ethical philosophy can survive in the business world. These are some of their questions:

- "Can a profitable business and good ethics coexist?"
- "Are there still business firms that value adherence to high ethical standards?"
- "Is honesty still a valued personal trait in the business community?"

In the field of athletic competition, the participants rely heavily on a written set of rules. The referee or umpire is ever-present to detect rule violations and assess a penalty. In the field of personal selling, there is no universal code of ethics. However, some general guidelines can serve as a foundation for a personal code of business ethics.

1. *Relationship comes first, task second.* Sharon Drew Morgan, author of *Selling with Integrity*, says you can't sell a product unless there is a level of comfort between you and the prospect. She encourages salespeople to take the time to create a level of comfort, rapport, and collaboration that encourages open communication.<sup>56</sup> Placing task before relationship is based on the belief that the salesperson knows more than the customer. Morgan reminds us that "the buyer has the answers; the seller has the questions."<sup>57</sup> These answers will surface only when the buyer-seller relationship is characterized by rapport and trust.
2. *Be honest with yourself and with others.* To achieve excellence in terms of ethical practices, you have to believe that everything you do counts. Tom Peters, in *Thriving on Chaos*, says, "Integrity may be about little things as much as or more than big ones."<sup>58</sup> It's about accuracy in completing your expense account—and resisting the temptation to inflate the expense report for personal gain. It's about avoiding the temptation to stretch the truth, to exaggerate, or to withhold information. Paul Ekman, author of *Telling Lies*, says that withholding important information is one of the primary ways of lying.<sup>59</sup> A complete and informative sales

Personal selling must be viewed as an exchange of value. Salespeople who accept this ethical guideline view personal selling as something you do *for* customers, not something you do *to* customers.



Kablouk/SupetStock

presentation may include information regarding the product's limitations. If you let your character and integrity be revealed in the little things, others will see you as someone who acts ethically in all things. Any violation of honesty, however small, dilutes your ethical strength, leaving you weaker for the big challenges you will face sooner or later.<sup>60</sup>

3. *Personal selling must be viewed as an exchange of value.* Salespeople who maintain a value focus are searching for ways to create value for their prospects or customers. This value may take the form of increased productivity, greater profit, enjoyment, or security. The value focus motivates the salesperson to carefully identify the prospect's wants and needs.<sup>61</sup> Salespeople who accept this ethical guideline view personal selling as something you do *for* customers, not something you do *to* customers. The role of the salesperson is to diagnose buyer needs and determine whether value can be created. Always be prepared to add value.

## REVIEWING KEY CONCEPTS

- Explain the importance of developing a relationship strategy.

The manner in which salespeople establish, build, and maintain relationships is a major key to success in personal selling. *Emotional intelligence*, defined as the capacity for monitoring our own feelings and those of others, for motivating ourselves, and managing emotions well in ourselves and in our

relationships, is critical to the development of a successful selling relationship strategy.

- Describe issues that challenge the ethical decision making of salespeople.

A selling career, more than most other careers, is frequently subjected to situations that provide short-term gain, resulting in the long-term erosion

of integrity and destruction of relationships. Various stakeholders to a sale make requests and offers that are unethical and, in a number of situations, illegal. Salespeople are repeatedly challenged to make ethical decisions. Ethics, therefore, forms the foundation for partnering relationships that are developed through the salesperson's relationship, product, customer, and presentation strategies.

In the field of personal selling, the temptation to maximize short-term gains by some type of unethical conduct is always present and occurs more often than in most other careers. Salespeople are especially vulnerable to unethical decision making, because they are subject to many temptations. These temptations are often motivated by offers from clients, competitors, company personnel, and suppliers, and may involve personal gain on the part of the salesperson. While attractive to one or more of the stakeholders associated with the sale in the short run, they serve as the basis for the destruction of long-term, partnering relationships.

- Describe the factors that influence the ethical conduct of sales personnel.

At the international level, ethical and legal issues can be very complex. The global marketplace reflects a great number of cultures, each with its unique qualities. Coping with illegal activities throughout the world is also very challenging. Illegal demands for bribes, kickbacks, or special fees can serve as a barrier to business transactions.

Salespeople can benefit from the stabilizing influence of good role models. Although top management personnel are usually far removed from day-to-day selling activities, they can have a major impact on salespeople's conduct. Dishonesty at the top of an organization can cause an erosion

of ethical standards at the lower echelons. Sales managers provide another important role model. They interpret company policies and help establish guidelines for acceptable and unacceptable selling practices.

- Describe how ethical decisions influence the building of partnering relationships in selling.

Character and integrity strongly influence relationships in personal selling. Unethical sales practices will ultimately destroy relationships with customers. These practices undermine trust, which is at the very core of all meaningful relationships.

Many colleges and universities are playing a more active role in character development. Character education is often integrated into courses that focus on ethics. Character is composed of personal standards of behaviour, so all of us can do things that build character. Keeping our commitments to others provides just one example of how character is built.

- Discuss guidelines for developing a personal code of ethics that creates value.

Salespeople must establish their own standards of personal conduct. They must decide how best to serve their company and build strong partnerships with their customers. The pressure to compromise one's ethical standards surfaces almost daily. The primary deterrent is a strong sense of right and wrong. Three general guidelines can serve as a foundation for a personal code of ethics:

- a. Relationship comes first, task second.
- b. Be honest with yourself and with others.
- c. Personal selling must be viewed as an exchange of value.

## Key Terms

business ethics 64  
character 66  
contract 63  
cooling-off laws 63  
culture 55

emotional intelligence 51  
integrity 66  
reciprocity 58  
values 62

## Review Questions

1. List the three prescriptions that serve as the foundation for development of a relationship strategy.
2. Carefully review Figure 3.5, the CPSA Sales Institute Code of Ethics. Select the three standards you feel would present the greatest challenge to salespeople. Explain your choices.
3. How does business slander differ from business libel?
4. What major factors help influence salespeople's ethical conduct?
5. What are cooling-off laws? How do they protect consumers?
6. Why must a salesperson's ethical sense extend beyond the legal definition of what is right and wrong?
7. Explain why the sales manager plays such an important role in influencing the ethical behaviour of salespeople.
8. A company policy on ethics will usually cover several major areas. What are they?
9. Is it ever appropriate to give gifts to customers? Explain.
10. List and describe three guidelines used as a foundation of a self-imposed code of business ethics.

## Ethics Application Exercises

*Grey Issues—Ethical Decision Making in Selling Today* is an assessment designed to help make more informed ethical decisions. Many of the ethical issues included in this assessment will be faced when one applies for and obtains a personal selling position. Completion of this assessment will provide an introduction to a wide range of real-life ethical dilemmas. It will stimulate in-depth thinking about the ethical consequences of one's decisions and actions.

This application exercise is a two-part assessment. Part I includes five mini-cases that introduce ethical dilemmas likely to be faced when applying for a sales position. Part II includes five ethical dilemmas that will likely be encountered in a typical sales position. Each mini-case poses four solutions. In some cases, only one solution is the correct choice; in others, more than one choice has merit. Keep in mind, however, that one solution will be the best selection from the options listed.

It is important to read the Park Shores Resort and Convention Centre Account Executive Position Description in "Partnership Selling: A Role Play/Simulation" online in the Student Resources section at [www.pearsoncanada.ca/manning](http://www.pearsoncanada.ca/manning) prior to taking the assessment.

### Circle Your Best Choice

**Part I—Mini-Case 1**—Prior to the interview, T. J. McKee the Sales Manager requests a personal resume. Your current average grade in your program is 68, but it will very likely increase to 70 or higher at the end of the current semester. What should you do?

- a. Indicate that your current average grade is 70.
- b. Indicate that your current average grade point average is 70, but make a mental note to explain (during the interview) that it is currently 68 but will likely increase to 70 or higher at the end of the semester.

- c. Indicate that your current average grade is 68.
- d. Omit this information from the resume.

**Mini-Case 2**—Recently, you received an invitation to become a member of Alpha Phi Omega, a fraternity that honours students who have a record of outstanding service to the community. Very few students are invited to join, and the membership committee, which screens applications, occasionally rejects applications. Should you list membership in Alpha Phi Omega on your resume?

- a. Do not list this membership on your resume.
- b. List this membership on your resume but indicate that approval is pending.
- c. Do not list this membership on the resume, but describe your community service activities.
- d. List the membership on the resume without any additional information.

**Mini-Case 3**—During the interview, T. J. McKee requests salary information about your most recent full-time position. You believe this information may influence the starting salary offer, should you be offered the job. The Park Shores uses a commission plan with a guaranteed salary. What should you do?

- a. Tactfully tell Mr. McKee that this information is personal and you would rather not discuss past earnings.
- b. Provide the information as requested.
- c. Provide an inflated figure in hope of receiving a higher initial salary offer.
- d. Refuse to provide the information, but do tell him the amount you hope to earn if hired.

**Mini-Case 4**—Prior to visiting his company for the interview, you receive a letter from T. J. McKee that explains that you will be reimbursed for all travel and meal expenses. You will stay in a complimentary room at the Park Shores Resort and Convention Centre. The letter states that the daily meal expense (per-diem) is \$65. The early morning flight includes a complimentary snack. You have lunch with Sara Millen, manager of the hotel, and she pays the bill. That evening you have dinner on your own at a restaurant near the hotel. The bill, including tip, is \$36.25. The next morning, you take an early morning flight home and once again enjoy a complimentary snack on the plane. When you turn in your expenses, what amount of meal reimbursement should you request?

- a. Request \$36.25 for the evening meal.
- b. Request \$65, which is the amount available for meals.
- c. Request \$41.50 in order to cover the cost of the evening meal and snacks you purchased at the hotel gift shop.
- d. Turn in no meal expenses because the amount spent was quite small.

**Mini-Case 5**—A large hotel and conference centre in Halifax, Nova Scotia has invited you to interview for a sales position. All expenses will be paid. You have no interest in moving to Nova Scotia, but you would enjoy visiting Halifax as you have never been to the east coast. What should you do?

- a. Accept the invitation. You need the experience that only a real interview can provide.
- b. Do not accept the invitation because you have no interest in relocating to Nova Scotia.
- c. Accept the invitation because you will have an opportunity to visit Canada's east coast.
- d. Accept the invitation and approach the interview with an open mind. Do not close the door on a job opportunity.

**Part II—Mini-Case 1**—On November 18, a customer requests a price quotation for a conference that will be held on March 22. This customer has scheduled two previous conferences at the Park Shores Resort and Convention Centre. You know that on December 1 the hotel will announce a special conference “package plan” that will provide this customer with a lower rate. The new rate schedule will extend from December 1 to April 1. What action should you take at this time?

- a. Prepare a price quotation for the current rate.
- b. Delay preparing the price quotation until December 1.

- c. Prepare a price quotation using the rates that will be announced December 1.
- d. Prepare a price quotation at the current price, but make a mental note to send the customer a revised quotation on December 1.

**Mini-Case 2**—Throughout the past several weeks, you have met with a representative of Follett Corporation on several occasions. You are anxious to book a large conference that will involve over 200 Follett employees. Every detail of the proposal has been negotiated, but the prospect seems reluctant to sign the contract. One option available is to tell the customer that room availability is limited, and any additional delays may create scheduling problems during the time period requested. In reality, business is usually very slow during the time period requested, so room availability should not be a problem. What should you do?

- a. Stop making contact with the prospect and wait for a decision.
- b. Continue to make an effort to close the sale, but do not provide any information that is not accurate.
- c. Make another call on the customer and point out that scheduling problems will likely arise if the contract is not signed now.
- d. Make another call on the customer and this time offer a significant price reduction.

**Mini-Case 3**—After closing a sale with a very difficult customer (the “customer from hell”), you indicated that you would follow up on a special room layout request and a minor menu substitution. During negotiations, you developed a strong dislike and distrust for this customer because of the unethical negotiation techniques he used. Because of the demands made during negotiations, and the fact that these requests were talked about after the customer signed the contract, you are thinking about forgetting the special requests and providing only the services specifically outlined in the contract. What should you do?

- a. Provide all items specified in the contract and take care of the special requests.
- b. Follow up on the special request and add additional fees to the final bill.
- c. Provide only those items specified in the contract.
- d. Contact the customer a few days before the scheduled meeting and tell him you will be unable to fulfill his special requests.



**Mini-Case 4**—The Park Shores Resort and Convention Centre has offered a special bonus to any salesperson who develops 10 new accounts during the current fiscal year. You need one more account to earn the bonus. Apco Equipment Corporation is considering your hotel and conference centre for an upcoming business meeting. Your contact at Apco says the meeting is tentative and may not be scheduled. One option is to offer Apco a contract with major price concessions and a liberal cancellation clause. The signed contract will qualify you for the bonus. What should you do?

- a. Make the special offer to Apco, but search for another new account in case the Apco deal falls through.
- b. Make the special offer to Apco and make every effort to close the sale.
- c. Give up the search for new accounts and enjoy a less stressful life.
- d. Pursue the Apco account, and other new accounts, but offer Apco a standard contract and no special concessions.

**Mini-Case 5**—When you accepted a sales position at the Park Shores Resort and Convention Centre, you signed a noncompete agreement. This agreement states that information acquired while representing the Park Shores cannot be taken to a new employer. With the press of a button on your computer keyboard, you can download a profile of all established accounts you were given at the time you started working for the Park Shores, a profile of each new account you have developed, and the name and address of all prospects that you have identified. You have been offered a sales position at a competing hotel and you are tempted to take this information with you. What should you do?

- a. Take all of this information home so it will be available when you start the new job.
- b. Take only the list of prospects you identified.
- c. Do not take any of the information because it would be covered by the noncompete agreement.
- d. Request the permission to take this information home.



## ROLE-PLAY EXERCISE

This morning you met with a customer who has purchased office supplies from you for almost three years. You are quite surprised when she says, “I am prepared to place an order worth \$10 500, but you must match an offer I received from a competitor.” She then explains that the competitor is offering new customers a seven-day,

all-expenses-paid trip to Quebec City if they place an order for more than \$10 000. What would you do?

Prepare to role-play your response with another student. Review the material in this chapter, paying special attention to ways you can add value and build long-term relationships with ethical decision making.



## Reality Selling Video Case Problem

Mattress Firm ([www.mattressfirm.com](http://www.mattressfirm.com)) is one of the largest and most successful specialty bedding companies in the world. It offers sleep solutions, including conventional and specialty mattresses, as well as bedding-related products. The company has grown to become one of the largest and fastest growing mattress retailers. The company operates more than 560 stores in 38 markets nationwide and carries the top mattress brands. From the very beginning, the company set out to be a different kind of mattress retailer, focused on creating a unique shopping experience.

According to Edith Botello, featured at the beginning of this chapter, the biggest differentiator between Mattress Firm and its competitors is the sales process. As Edith puts it, buying a mattress can be overwhelming: How do you know which one is the best if all you see when you walk into a store are dozens of white rectangles? At Mattress Firm, sales reps make it simple for their customers to pick out their mattress without trying out every single bed. The process invites customers to get fitted for a mattress, just as with suits, shoes, and gowns. This is done through the company’s Sleep Diagnostic System,

which asks the customer a series of questions about their sleep quality and then measures their weight distribution and postural alignment. The system then recommends a type of support and eliminates 80 percent of the beds in the showroom. Taking the risk out of buying a mattress by letting the customer know what mattresses are best for them is something that only Mattress Firm offers.

How can ethical aspects of selling come into play in Edith's job as a retail salesperson? One example would be that sometimes salespeople have the opportunity to write up a sale where they would get credit but have not earned the right to do so. At times, customers shop around but eventually end up at the same store and want the same product that was offered to them previously. In such a case, the customer may request the particular salesperson who helped him or her previously. If that salesperson is not there, the new salesperson could choose to not give her/him credit. Another example might be a customer who tries to get greater price discounts by making untrue statements about a competitor's price offering or shopping around at different Mattress Firm locations in order to get the lowest possible price. In many cases, however, the salesperson will recognize this behaviour and act accordingly.

Being ethical is a core value at Mattress Firm. New hires are made aware of Mattress Firm's expectations from the beginning of their employment to ensure that they are ethical with their customers and other salespeople. Mattress Firm's Code of Conduct is a guide to the general principles that permeate the employees' relationships with customers, business partners, and, last but not least, each other. The Code goes far beyond compliance with laws and regulations. It is also a set of practical instructions to help employees in their day-to-day work. It explains, for example, how to manage potential conflicts of interest and how to report suspected violations of the rules.

At Mattress Firm, several policies and elements in the incentive compensation system exist that also help

to safeguard ethical behaviour. The Standard Operating Procedure (SOP) dedicates an entire section to commission sales and how to handle different situations such as team selling, ticket trading, SPIFFS, bonuses, etc. For example, the commission system encourages sales reps to hold the line on price concessions. National sales contests are also audited to ensure ethical behaviour. The SOP and Employee Code of Conduct are housed on the company's intranet and are available to view at any time. (See the chapter opener on page 50 and Reality Selling Today Role Play 3 in Appendix 1 on page 428 for more information.)

## Questions

1. Put yourself in Edith Botello's place as a sales rep selling mattresses. Can you imagine situations in your job that might challenge your ethical conduct?
2. For retailers such as Mattress Firm, what are the major areas that should be covered in a company policy on ethics?
3. Revenue-based incentive compensation plans, by their very nature, pressure sales reps to generate high sales, which might cause unethical sales practices. How could an incentive compensation system be designed that stimulates sales generation but safeguards ethical sales behaviour at the same time?
4. Image you were a salesperson for Mattress Firm, just like Edith Botello. A customer walks into your store and, after a while, shows great interest in a specific Tempur-Pedic. When it comes to the price, the customer mentions that your competitor across the street offered him exactly that mattress at a 10 percent lower price than Mattress Firm. You have some doubts that this statement is actually true, but you do not want to disgruntle the customer and compromise the sale. How would you react?