

ADVERTISING PRACTITIONERS'
ETHICAL DECISION-MAKING,
THE UTILITARIAN
VIEWPOINT

By

CHARLES WILLIAM OVERSTREET

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Thesis Approved:

W. J. Ward
Thesis Adviser
William R. Heng
Philip E. Paulin
Norman D. Durham
Dean of Graduate College

PREFACE

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CHAPTER I

THE RESEARCH PROBLEM

Introduction

The advertising agency business, which had its beginnings as a business in this country in the 1870s, has grown to an annual \$40 million business. Packard wrote:

Advertising, for example, not only plays a vital role in promoting our economic growth but is a colorful, diverting aspect of American life; and many of the creations of ad men are tasteful, honest works of artistry.¹

The advertising business has suffered many growing pains through the years. One such obstacle which continues to plague the industry is ethical decision-making.

Purpose of the Study

The purpose of this study was to investigate the ethical decision-making process as it interacts in relationships set forth below:

1. The client (the seller) and the agency (the communicator)
2. The practitioner (the account executive) and the client (the seller's advertising manager)
3. The practitioner (the employee) and the agency

(the employer)

4. The practitioner (the message source) and the consumer (the message receiver)

5. The agency and the agency (competitors)

The Hypothesis

There is no relationship between the agency size and following rules of the Standards of Practice of the American Association of Advertising Agencies.

Relationships Defined

The Client/Agency Relationship

The client is in the business of manufacturing, distributing and marketing its products. He should have expertise in these areas. He probably lacks expertise in communication; therefore, a relationship is formed with an advertising agency. The client's expectations are twofold. First, the agency must project a positive image of the client and secondly, must expose the product in a most favorable and creative manner to the greatest number of prospective purchasers within the confines of the client's budget.²

An advertising agency is a service business comprising talented, creative people skilled in the art of communications. Its product consists of creative ideas and concepts designed to increase the sales of the client's product.

Advertising has few objective measurements of its effectiveness or relative value. The agency survives and grows on its ability to create ideas and then convince its clients to buy them. A client is asked to invest a portion of profits in the agency's effort to increase sales. The agency is compensated by a percentage of the total billing placed through its office. The method of compensation varies widely but is commonly fifteen percent. Hence, the more the agency spends, the more the agency coffers grow. An agency will study and learn the client's business, the products, markets and method of distribution in order to do its job effectively.

In every sense, the agency/client relationship is a partnership.³ This partnership is profit oriented. The mutuality of the profit motive results in a relationship Deutsch calls "promotive interdependence."⁴ Promotive interdependence exists when two groups (the agency and the client) are interdependent with respect to a goal (profit) to the degree that the attainment of the goal by one group is related to the attainment of the goal by the other group.

The agency/client relationship is sealed with the signing of a contract or letter of agreement. This document is an agreement of any number of subjects including but not limited to: a general outline of services to be performed by the agency, preparation of advertising materials, payment of invoices, special services, method of

compensation, duration of the agreement and the manner in which the agreement can be terminated. This document represents in total the agreements reached concerning the legal and ethical obligations of both parties.⁵

The Practitioner/Client Relationship

The practitioner, or account executive is an employee of the advertising agency and acts as the agency representative in all contacts with the client. He attends marketing and advertising meetings with the client where he receives product and sales information. He submits the agency's recommendations to the client. He is responsible to the agency and, by necessity, must be considered as a Profit source by the agency. He is also responsible to the client for advising, consulting and producing the best possible advertising which will result in greater sales for the client.

The client is usually represented by its employee, the advertising manager. This individual is also a seasoned communicator but with a very specialized background in the client's particular business. His responsibilities include: trade and consumer shows and exhibitions, production of sales literature, cooperative advertising, public relations and promotional activities. He is also responsible for establishing and administering the advertising budget. Considering this work load, it is imperative the media studies, creativity, production and placement of the

advertisements be handled by an outside group, the advertising agency.⁶

If the client/agency relationship is indeed a partnership, as previously mentioned, the advertising manager and account executive are the central participants in the partnership. In addition to the business relationship, bonds of friendship can be and often are formed. Therefore, the opportunity exists for ethical problems or conflicts of interest. Should the relationship be based on business interests, friendship interests or a combination of both?

The Practitioner/Agency Relationship

The third relationship studied was that of the practitioner, the employee and the advertising agency, the employer. In his writing of social systems, Berlo stated:

For any given role (within a social system) there is a set of behaviors that must be performed by anyone occupying that role position. There are also a set of behaviors that must not be performed.⁷

The advertising agency is a social system. One of the first tasks for any agency employee is to learn what set of behaviors he must perform and what behaviors he must avoid. Is his first obligation to the agency (as a profit source) or is his first obligation to the client and the activity of producing good advertising for the client? Usually, it is a combination of both, with emphasis on one side or the other depending on the individual agency's business philosophies. It must be remembered that the

purpose of an advertising agency, as a business, is to produce and sell advertising to clients which will be profitable to the agency. Therefore, the profit expectations of the employer, the agency owner, may have a great deal to do with the practitioner's behavior and his relationship with the agency as well as with the client.

The Practitioner/Consumer Relationship

The fourth relationship is that of the practitioner, the message source and the consumer, the message receiver. Advocates of the Latin phrase, caveat emptor, "let the buyer beware," have been with us since men first traded war axes. A major ethical consideration the practitioner must face is the manner in which he structures his messages. It is relatively easy to stay within the legal limits of the law as messages are structured. However, there are practitioners who would use the guise of "creativity" to structure messages in such a way as to mislead, omit and distort facts. Bear in mind the purpose of advertising is to stimulate action.⁸ But how much stimulation is enough?

The consumer may be becoming more sophisticated as he perceives the advertising message. However, his emotions can and often do increase his gullibility. He tends to want to believe what he reads. The zealous practitioner can and does take advantage of this phenomenon. This can place stress on the relationship. The practitioner's ethics are therefore put to a real test as he attempts to

write "selling copy," yet maintain the integrity of the relationship.

The Agency/Agency Relationship

In addition to being highly profitable, the agency business is extremely competitive. No agency ever has enough accounts. Most have an on-going "new business" effort that is continually ferreting out new business prospects. The economic environment of this country demands competitiveness, but an over-enthusiastic or dishonest approach will sometimes create an ethical problem. The agency/agency (competitors) is the fifth and final relationship covered by this investigation.

NOTES

¹Vance Packard, The Hidden Persuaders, rev. ed. (New York, 1980), p. 6

²Martin Solow and Ed Handman, Effective Advertising (New York, 1964), p. 10.

³Richard H. Stansfield, The Dartnell Advertising Manager's Handbook (Chicago, 1969), p. 80.

⁴David K. Berlo, The Process of Communication (New York, 1977), p. 144.

⁵Lee Siteman and John Brodhead Advertising Company Letter of Agreement.

⁶Stansfield, pp. 38-40.

⁷Berlo, p. 79.

⁸Solow and Handman, p. 29.

CHAPTER II

REVIEW OF THE LITERATURE

The Advertising Agency: A Business or a Profession

Levi writes that the aim of business is profit; the aim of a profession is the performance of a service. The true businessman keeps his eye on the profits; the true professional keeps his eye on the activity.¹

This concept brings out an interesting ethical point which must be considered. Is the purpose of the agency to make money or to create advertising? Identifying the motives of a given agency is paramount to the maintenance of its relationship with the client, the practitioner, the consumer and its competitors.

If one is to define the advertising agency as a business, the success of the agency would be measured by such things as the number of accounts, annual billing, operating expenses and profitability. Therefore, the ultimate measure of success, as a business, would be the profitability of the over-all operation.

However, if one is to define the agency as a profession, one must use an entirely different measuring device.

This device would scrutinize the activity and motivations of the practitioner. One would have to take into account the client's point of view in asking, "How much product was sold due to the advertising effort?" One would have to consider the consumer or end user of the product. Was he motivated to purchase after seeing the advertisement? And possibly most important, was the consumer's need, desire and expectation fulfilled by the product he purchased?

In reality, the advertising agency is both a business and a profession. It qualifies under the definition of a business in that profits are essential to the continuance of the organization as a business entity. Agencies also qualify under the aim of a profession. The agency must maintain constant vigilance over the activity of producing results of creating, exposing and selling the client's product or service.

Ethical Philosophies Leading to Utilitarianism

People make decisions to act, or to refuse to act, based on their own moral convictions as to the correctness of the act. This is referred to as the individual's moral framework or code of ethics. Ethics can hardly be defined. It is personal, subcultural and/or a religious matter. What one person or group deems a moral issue, others do not. The most important point is that all varying concepts of morality hold one principle. Despite their differences, all

generally share a set of rules, an ethical code. The main function of the code, whatever its specific context, is to civilize life; to make members of society treat others the way they wish others would treat them--as persons, not as objects or instruments. While this ideal is never fully attained, it is advanced by the formulation of rules of conduct which define do's and don'ts, which tell people what is considered "fair" or "right" and what is not.²

A normative theory of ethics gives each individual an authoritative standard or principle of right action which guides, controls and regulates proper and acceptable behavior. Stealing, for example, is believed to have been very rare in traditional Eskimo tribes, though there were neither policemen or jails; it was considered just too terrible an act for most Eskimos to even consider.³

This moral framework is used to gain certainty in an uncertain world. People need to assure themselves that their decisions are justifiably sound. They would also like some feeling of assurance that their welfare is being considered, in some manner, as decisions are being made which will directly or indirectly affect their lives. As people refer to their codes in dealing with what they perceive to be either good or bad, right or wrong, they are able to make decisions based on moral duty or value and obligation.⁴

Under the category of value, Bayles lists three types which have been proposed by leading philosophers, Hedonistic theories tell us that only "pleasure" or "the avoidance

of pain" is essentially good. The Eudaemonistic theory is held by philosophers who suggest "happiness" is the only intrinsically good value. The third theory is called Agathistic, Ideal or Pluralistic. This theory is a "catch-all" for everything which fails to fall under the concepts of either happiness or pleasure.⁵

The category of obligation has been divided into two sub-categories. The first is called the Deontological theory. The proponents of this theory claim there are times when a person is obligated to perform actions which do not produce good or evil. Deontologists are closely related to proponents of the metaethical theory of Intuitionists. Intuitionists depend on "reason" or some "special facility" of intuition to give them direct knowledge of what is good and what is evil.⁶

The second sub-category is referred to as the Teleological theory which claims that one's "obligation" may be dependent upon producing good and avoiding evil.⁷ This theory is once again divided into two elements; Egoism and Utilitarianism.

The central theme of Egoism can be simply stated as, "One should do those acts that are most beneficial to himself." This would tend to create a great deal of competition between individuals, if everyone were practicing Egoists. But Hobbes and Sinoza, according to Bayles, have held that generally it appears one best promotes his own interests by cooperating with others.⁸

In contrast to Egoism is the theory of Utilitarianism. This is concerned with the theory that man is obligated to do what promotes good and/or avoids evil for everyone--not just for himself. The central utilitarian doctrine is to do whatever has the most utility for everyone; this utility is defined as the net balance of good over evil.⁹ Piest defines the theory by writing:

. . . the happiness which forms the utilitarian standard of what is right in conduct is not the agent's own happiness but that of all concerned. In the golden rule of Jesus of Nazareth, we read the complete spirit of ethics of utility, 'To do as you would be done by,' and 'to love your neighbor as yourself,' constitute the ideal perfection of utilitarian morality.¹⁰

Bayles, in his discussion of Utilitarianism, asks how one determines the utility of an action. In other words, how should what a person does relate to achieving intrinsic good for everyone?

In an attempt to answer this question, philosophers have introduced two approaches to the utilitarian decision-making framework, act and rule utilitarianism. Smart defined these two versions.

Act utilitarianism is the view that the rightness or wrongness of an action is to be judged by the consequences, good or bad, of the action itself.

Rule utilitarianism is the view that the rightness or wrongness of an action is to be judged by the goodness and badness of the consequences of a rule that everyone should perform the action in like circumstances.¹¹

Additional Comments on
Act Utilitarianism

Other philosophers have discussed act utilitarianism in their writings. For example, Smart states that act utilitarianism, roughly speaking, is the view that the rightness or wrongness of an action depends only on the total goodness or badness of its consequences, i.e., on the effect the action has on the welfare of all human beings.¹² He continues by stating that the rational way to decide what to do is to decide to perform the one of those alternative actions open to us (including the null-action, the doing of nothing) which is likely to maximize the probable happiness or wellbeing of humanity as a whole.¹³

Mackie, in his discussion, held that when an individual has a choice of action (or inaction) the right act is that which will produce the most happiness, not just for the individual himself but for all who are in any way affected. He goes on to define happiness hedonistically as a balance of pleasure over pain.¹⁴

All act utilitarian philosophers agree that each decision that must be made should be based on the individual act only, with no consideration to precedent actions. Basically, what determines the best consequences for maximizing the most happiness for the most people should be the correct action to follow.

Additional Comments on Rule Utilitarianism

The classical philosopher Harrison, in his writings, held that the rule utilitarian is concerned with the view of the consequences of an action by looking beyond its immediate, singular good or bad effects. One must consider each decision to be made and examine whether the decision complies with a rule which will produce the most utility if everyone did the same.¹⁵ Harrison also adds, it is one's duty to perform an action (if it complies with the rule) which produces good consequences if generally performed, and to refrain from those that would produce bad consequences if generally performed.¹⁶

Bayles maintained that rule utilitarians should apply "kinds" of acts in "types" of situations. One adopts a rule that the following of which has the greatest utility compared with that of other possible rules. Particular acts can then be judged by their conformity to the rules which have been evaluated for their utility.¹⁷

Previous Studies

A work recently published by Rotzoll and Christins concluded that advertising agencies provide a natural laboratory for the study of act and rule utilitarianism. Their study was designed to avoid what Mills calls "abstract empiricism." Due to the lack of definitional clarity over

ethical terms and complexity of moral decision-making, they elected to avoid rigid and confining methodologies.¹⁸ In contrast, this study will be a systematic, controlled, empirical investigation of selected advertising agencies and randomly selected advertising practitioners.

NOTES

¹Albert W. Levi, "The Present Economic System and the Moral Delemma," Ethical Perspectives on Business and Society, ed. Yerachmiel Kugel and Gladys W. Bruenberg (Lexington, Mass., 1977), p. 80.

²Yerachmiel Kugel and Gladys W. Gruenberg (eds.), "Introduction: Models of Ethical Behavior," Ethical Perspectives on Business and Society (Lexington, Mass., 1977), p. 11.

³Ibid., p. 12.

⁴John Gage Allee, Webster's Dictionary (Inglewood Cliffs, New Jersey, 1965), p. 131.

⁵Michael D. Bayles, "Introduction to Contemporary Utilitarianism," Contemporary Utilitarianism (New York, 1968), p. 2.

⁶Ibid., p. 3.

⁷Ibid., p. 4.

⁸Ibid.

⁹Ibid., p. 7.

¹⁰John Stuart Mill, Utilitarianism, ed. Oskar Piest (New York, 1948), p. 18.

¹¹J. J. C. Smart, "An Outline of a System of Utilitarian Ethics," Utilitarianism, ed. J. J. C. Smart and Bernard Williams (London, England, 1973), p. 9.

¹²Ibid., p. 4.

¹³Ibid., p. 42.

¹⁴J. L. Mackie, "Inventing Right and Wrong," Ethics (New York, 1968), p. 7.

¹⁵Jonathan Harrison, "Utilitarianism, Universalization and Our Duty to Be Just," Contemporary Utilitarianism (New York, 1968), pp. 34-35.

¹⁶Ibid., p. 21

¹⁷Bayles, pp. 7-8.

¹⁸Kim B. Rotzoll and Clifford B. Christina, "Advertising Agency Practitioner's Perceptions of Ethical Decisions," Journalism Quarterly (Lawrence, Kansas, Autumn, 1980), pp. 425-431.

CHAPTER III

METHOD AND PROCEDURE

Introduction

In 1917, the advertising industry attempted to regulate itself by forming the American Association of Advertising Agencies. The association adopted its Standards of Practice in October, 1924, and revised them in 1962. This investigation centered on the 4-a's Standards of Practice. It sought to determine how these "rules" interact with the various relationships previously defined.

A supplemental area studied was that of the general ethics of the individual respondents. General ethics are very much a part of one's business ethics.

There was no desire or intent to question the morals or ethics of the respondents but merely to study the ethical decision-making process as it takes place in the advertising agency environment.

Collection of Data

The Oklahoma City market was used as the universe for this study. Two main areas were investigated. The first was to determine if the size of the agency, measured in

gross billing, had any bearing on the decision-making process. Agencies whose gross billing exceeded 2.5 million dollars per year were considered large agencies. Agencies with less than 2.5 million dollars per year were regarded as small agencies. The second area was to determine to what degree the practitioners followed the rules as outlined by the American Association of Advertising Agencies. Did the practitioners follow the precepts of Rule Utilitarianism more or less frequently than the precepts of the Act Utilitarian? There were twenty respondents representing the attitudes of large agencies and twenty respondents representing the attitudes of small agencies.

Pretesting

Part II, the control portion of the questionnaire, was pretested by eighteen individuals to determine the correct approach to be used in obtaining information from the respondents.

The correct approach factor centered on the method of asking the respondent to answer the items on the questionnaire. Should he answer from the personal point of view or should he be asked to participate in "Projection" as discussed by Johnson, i.e., select his responses as he feels most advertising practitioners would answer?¹

Pretesting consisted of running reliability coefficients on both methods of testing. The reliability coefficient of the projection method, that is selecting answers the

respondent believed to be the opinion of most advertising practitioners, yielded a .92 percentile with a probability of over 99 percent. The reliability coefficient of the "self" method was .71 with a probability of less than 95 percent. A single factor analysis of variance verified the initial findings. It was determined the probability of obtaining the true attitudes would best be served by the use of the Projection method of questioning.

Eight items were on the test questionnaire. The four with the highest discriminatory power were used on the final questionnaire.

The survey instrument consisted of 24 items constructed to study the five relationships and general ethics as listed below:

| | |
|-----------------------|---------|
| Client/Agency | 4 items |
| Practitioner/Client | 4 items |
| Practitioner/Agency | 4 items |
| Practitioner/Consumer | 4 items |
| Agency/Agency | 4 items |
| General Ethics | 4 items |

Method of Scoring

A five point Likert scale was used to measure the value of the individual respondents somewhere on the agree/disagree continuum of the attitude in question.

The items were scored for analysis as indicated below.

The opinions selected to follow the behavior or choice of the rule utilitarian indicated their selection toward the end of the continuum identified by the word (rule). The opinions selected to follow the behavior or choice of the act utilitarian indicated their selection toward the end of the continuum identified by the word (act). The scoring process gave five points for rule, one point for act. No such notations were present on the actual survey instrument. See Appendix B for a sample instrument.

The first items were directed to study the Client/Agency (C/A) relationship. The Standards of Practice address the subject very explicitly as they discuss responsibilities and obligations in the C/A relationship.

1. A client writes his own copy and gives it to the agency for production. The copy is not up to agency standards, but it should be accepted and used.

| | |
|-------------------------|-----------------------------|
| Agree strongly (act) | Disagree strongly (rule) |
|-------------------------|-----------------------------|
2. The agency business, as such, must make a profit at all costs.

| | |
|-------------------------|-----------------------------|
| Agree strongly (act) | Disagree strongly (rule) |
|-------------------------|-----------------------------|
3. Ethics is ethics and business is business. Profits are one thing and moral squeamishness is another.

| | |
|-------------------------|-----------------------------|
| Agree strongly (act) | Disagree strongly (rule) |
|-------------------------|-----------------------------|
4. The business community being what it is, there is no set of moral rules under which an agency can operate at all times.

| | |
|-------------------------|-----------------------------|
| Agree strongly (act) | Disagree strongly (rule) |
|-------------------------|-----------------------------|

The Standards of Practice are couched in broad terms and do not specifically mention the advertising practitioner. However, the practitioner who actually performs the service, certainly can be defined as the "agency" within the confines of the Standards.

. . . Confidence and respect are indispensable to success in a business embracing the many intangibles of the agency service and involving relationships so dependent upon good faith.²

The following questions pertain to the Practitioner/Client (P/C) relationship:

1. The advertising practitioner must concentrate on the activity of producing results for the client rather than profits for the agency.

| | |
|--------------------------|----------------------------|
| Agree strongly (rule) | Disagree strongly (act) |
|--------------------------|----------------------------|
2. It's okay to bill the client for client mistakes.

| | |
|--------------------------|----------------------------|
| Agree strongly (rule) | Disagree strongly (act) |
|--------------------------|----------------------------|
3. The advertising practitioner should believe in the product in order to produce good advertising.

| | |
|--------------------------|----------------------------|
| Agree strongly (rule) | Disagree strongly (act) |
|--------------------------|----------------------------|
4. The agency should terminate its relationship with clients that practice "bait and switch" sales techniques.

| | |
|--------------------------|----------------------------|
| Agree strongly (rule) | Disagree strongly (act) |
|--------------------------|----------------------------|

Again, there is no direct mention in the Standards of the employee/employer relationship. However, a study such as this would seem to be remiss if this relationship were to be ignored. Every employee is faced with pressures, direct and indirect, as he attempts to build a career,

fulfill his financial obligations and "keep the boss happy."

. . . the business executive (advertising practitioner) considers all possible consequences of his decisions and acts in accordance with his long-run interests, and the long run interest of the corporation (agency) which employs him.³

The following items were designed to study the Practitioner/Agency relationship:

1. Ethics is ethics and survival in this business is another. Making the house payment is one thing and moral squeamishness is another.

Agree strongly
(act)

Disagree strongly
(rule)

2. Office politics being what it is, there is no set of ethics under which the practitioner can operate.

Agree strongly
(act)

Disagree strongly
(rule)

3. What employees do not know about agency matters will not hurt them.

Agree strongly
(act)

Disagree strongly
(rule)

4. As long as the client is happy, the agency should not scrutinize the work of the advertising practitioner.

Agree strongly
(act)

Disagree strongly
(rule)

The Standards are quite explicit in outlining various aspects of what advertising should and should not contain as well as how it should and should not be implemented. Much emphasis is placed on the overall credibility of the advertising message. This emphasis is fertile ground for examining the Practitioner/Consumer (P/Con) relationship:

1. Consumers can be convinced, through skillfully constructed advertising messages to purchase practically anything.

| | |
|-------------------------|-----------------------------|
| Agree strongly (act) | Disagree strongly (rule) |
|-------------------------|-----------------------------|
2. If a sexual approach will sell the product, use it.

| | |
|-------------------------|-----------------------------|
| Agree strongly (act) | Disagree strongly (rule) |
|-------------------------|-----------------------------|
3. With so many competing products on the market today, exaggerations, both visual and verbal, are necessary in advertising.

| | |
|-------------------------|-----------------------------|
| Agree strongly (act) | Disagree strongly (rule) |
|-------------------------|-----------------------------|
4. In comparative advertising, the message should be constructed in such a way to make your product appear significantly superior.

| | |
|-------------------------|-----------------------------|
| Agree strongly (act) | Disagree strongly (rule) |
|-------------------------|-----------------------------|

The 4-A, as an institution, is very concerned with the "business" of advertising. A great deal of effort was put forth in writing the Standards to outline sound competitive business practices. The competitive atmosphere in which the advertising agency exists is extremely interesting. The following items were designed to study the Agency/Agency relationship:

1. Competition in the agency business, being what it is, there is no set of ethics under which an agency can operate. All's fair in love, war and the advertising business.

| | |
|-------------------------|-----------------------------|
| Agree strongly (act) | Disagree strongly (rule) |
|-------------------------|-----------------------------|
2. Knowing a competing agency's plans for a new client presentation can be very advantageous. Obtaining such information any way possible, without getting caught, is okay.

Agree strongly
(act)

Disagree strongly
(rule)

3. The Golden Rule sounds good, but it doesn't work in the advertising business.

Agree strongly
(act)

Disagree strongly
(rule)

4. The name of the game in advertising is money.

Agree strongly
(act)

Disagree strongly
(rule)

The following items were designed to study ethics in a general way. Although the results of the final survey analyzed this segment, it was done anonymously and in no way is to be construed as the general ethics of the advertising profession.

1. Saving money on tax returns by withholding information, lying about income, deductions, etc.

Very wrong _____ Not wrong at all
(rule) (act)

2. Padding expense accounts in order to break even on expenses.

Very wrong _____ Not wrong at all
(rule) (act)

3. Driving away from a parking lot after putting a relatively small scratch on another person's car.

Very wrong _____ Not wrong at all
(rule) (act)

4. Falsifying a child's age in order to get a reduced fare.

Very wrong _____ Not wrong at all
(rule) (act)

NOTES

¹Wendell Johnson, People in Quandaries (New York, 1964), pp. 61-65.

²Standards of Practice of the American Association of Advertising Agencies (New York, 1924, rev. 1962).

³Yerachmiel Kugel and Gladys W. Gruenberg, eds., "Introduction: Models of Ethical Behavior," Ethical Perspectives on Business and Society (Lexington, Mass., 1977), p. 1.

CHAPTER IV

ANALYSIS OF DATA

Introduction

Twenty-four "rule following" agreement scores were registered by forty respondents--twenty of whom were from large advertising agencies (annual gross billing of \$2.5 million and more) and twenty from small agencies with gross billings of \$2.5 million or less. Gross billing of large agencies ranged from \$3 million to \$14 million and of small agencies, from \$750,000 to \$2.5 million.

The author examined each respondent's agreement scores as they pertained to following, or abiding by, the rules of practice outlined by the American Association of Advertising Agencies' (4-A) Standards of Practice (see Appendix A).

Findings

To recap, each respondent registered the perceived "average practitioner's" degree of agreement with four statements bearing on each of five types of relationships in advertising agency encounters. (Hereafter, the author will use the term "mean agreement." The reader should keep in mind, however, that responses were actually "mean perceived

agreement by the average practitioner.") Each registered his agreement on a five-point scale running from "strongly agree" to "strongly disagree." The five types of relationships were: (1) Client/Agency, (2) Practitioner/Client, (3) Practitioner/Agency, (4) Practitioner/Consumer, and (5) Agency/Agency. Responses also were gathered from statements dealing with the area of general ethics of the respondent.

With replies from 40 persons on four statements comporting to five types of relationships, plus General Ethics, the author tabulated 960 responses. As for the analysis, per se, mean differences were observed in ethical rule-following among the six types of relationships. Additionally, mean rule-following between large and small agency respondents was compared. Finally, the author determined whether the mean rule-following of large and small agencies was related to particular types of agency relationships.

Differences in Ethical Rule-Following:

Agency Size and Type of Relationship

Overall, size of agency for which the respondent worked was unrelated to mean agreement on ethical behavior regarding the 4-A rules and general ethics ($F = .64$, $df = 1/38$, $p > .05$). Mean perceived agreement by large and small agency personnel were 3.67 and 3.57, respectively. These scores registered between moderate concern and agreement with rule-following. However, these overall mean agreements did not

hold up on each and every type of relationship, as pointed out later.

When size of agency was disregarded, respondents did vary in mean perceived agreement to follow rules in different types of relationships ($F = 15.91$, $df = 5/190$, $p < .01$). Although the amount of variation explained by different relationships was moderate (22%), post hoc difference-between-means tests showed that most types of relationships elicited a higher mean degree of ethical behavior than at least one other type. Mean agreements to follow ethical rules in each type of relationship are shown in Table I.

TABLE I
MEAN ETHICAL RULE-FOLLOWING AGREEMENT
SCORES ON GENERAL ETHICS AND FIVE
TYPES OF AGENCY RELATIONSHIPS

| Types of Relationships | Mean Agreements |
|------------------------|-----------------|
| General Ethics | 4.17 |
| Practitioner-Agency | 4.02 |
| Agency-Client | 3.78 |
| Agency-Agency | 3.52 |
| Practitioner-Client | 3.31 |
| Practitioner-Consumer | 2.95 |
| Mean Total | 3.62 |

With a critical mean difference of .29, $p < .05$, one can determine from Table I that the mean agreement of 4.17, to follow the rules on General Ethics, was significantly greater than agreement to follow rules in the Agency-Agency, Practitioner-Consumer, Practitioner-Client and Agency-Client relationships. Respondents, however, were just as willing to follow rules of ethics regarding relationships within their own agencies as in their personal lives (4.02 and 4.17, respectively, $p < .05$).

Following the rules was more the case within one's own agency than in relationships with other agencies or with consumers or clients (4.02 v. 3.52, 2.95 and 3.31, respectively). Ethical behavior within one's agency was represented by a tendency to agree that ethics were more important than survival and office politics. Intra-agency ethics also meant always striving to improve one's product through constructive criticism of each other's work.

Mean agreement to follow rules in the agency's relationship with clients (3.78) exceeded only that of the Practitioner-Client and Practitioner-Consumer relationship. What this means, in essence, is that respondents tended to disagree that the agency must make a profit at all costs.

In the agency's relationship with other agencies, respondents tended to disagree that the agency must make a profit at all costs.

In the agency's relationship with other agencies, respondents felt that rule-following was more important than

only one other relationship--that between Practitioner and Consumer (3.52 v. 2.95, respectively). Apparently respondents felt ethical business practice with regard to competitors ranked only above the importance of ethics with regard to the consumer. They did feel, however, that ethics regarding competitors were no more important than those in the Practitioner-Client and Agency-Client relationships.

Rule-following in the Practitioner-Client relationship also was deemed to be more important than the Practitioner-Consumer relationship. This simply says that serving the client's best interest, as far as the individual practitioner is concerned, is more important than honesty in advertising. But serving the client's interest is less important than ethical behavior in other relationships, except practices with regard to competing agencies.

Interaction: Types of Relationships
and Agency Size

Following the rules of ethics in various types of relationships varied in some instances by agency size ($F = 3.49$, $df = 5/190$, $p < .01$). Though these interactive effects accounted for only 4.7 percent of variation among respondents, it was clear that large and small agency ethics probably would be more evident in some relationships than others.

In large agencies, for example, respondents agreed to follow rules more in the Practitioner-Client than in

Practitioner-Consumer relationships, as shown in Table II (3.48 v. 3.05). Also, the large agency respondents scored higher on General Ethics than in their Client-Agency dealings.

TABLE II
MEAN ETHICS RULE FOLLOWING AGREEMENT SCORES
OF LARGE AND SMALL AGENCY RESPONDENTS ON
FIVE TYPES OF RELATIONSHIPS

| Types of Relationships | Mean Agreements | |
|------------------------|-----------------------|-----------------------|
| | <u>Large Agencies</u> | <u>Small Agencies</u> |
| Practitioner-Consumer | 3.05* | 2.84 |
| Practitioner-Client | 3.48* | 3.13* |
| Agency-Client | 3.76** | 3.79* |
| General Ethics | 4.28** | 4.05 |

NOTE: Two single or double asterisks running vertically and successively denote a significant difference between the mean agreement scores (critical difference = .42, $p > .05$).

Small agency respondents differed from large agency respondents, in that more rule following was agreed to in Agency-Client than Practitioner-Client relations (3.79 v. 3.13).

The differences and interactions outlined above show

that rule-following by the average practitioner, as perceived by the respondents, varied according to type of relationship which, in turn, was related to size of agency in which the respondent worked.

The Chi^2 analysis, although not considered to be totally reliable, does serve as an indicator. Two Chi^2 analyses were performed on elements of the demographic information section of the survey instrument.

The first to be discussed is the demographic element of sex. The respondents were comprised of twenty-two males and eighteen females. The overall mean attitude on a five point scale was 3.62. Using this mean as the dividing point between high and low attitudes, the resulting analysis indicated a significant difference in the manner in which males and females perceive rule-following. It appears that male advertising practitioners tend to follow much closer the concept of rule-following in their decision making process than females. To determine the magnitude of this difference, a C-coefficient ratio was accomplished. It indicated a moderately high relationship of .71. Based on the limited information obtained from this study, it may well be that sex does play an important role in the rule-following concepts in the advertising agency.

The second Chi^2 analysis was performed on the demographic element of the Perceived Childhood Environment. The respondents were asked to select one of four concepts that best served to describe the manner in which they

perceived they were raised as children: very strict, somewhat strict, somewhat permissive and very permissive. The two strict attitudes were combined as were the two permissive, to form two attitudes: strict and permissive. The same overall mean attitude of 3.62 was used to divide the high and low scores. The results of this analysis indicated no significant difference to be apparent. A C-coefficient analysis was performed which indicated an extremely weak relationship of .011. Therefore, no conclusions can be drawn from this study which would indicate any relationship between perceived childhood environment and rule-following.

CHAPTER VI

SUMMARY AND CONCLUSIONS

Introduction

Forty advertising agency employees registered degrees of agreement to four statements regarding ethical rule-following in five types of relationships: (1) Client-Agency, (2) Practitioner-Agency, (3) Practitioner-Client, (4) Practitioner-Consumer and (5) Agency-Agency. These statements pertained to rule outlined by the American Association of Advertising Agencies' Standards of Practice. Also, participants responded to four statements on General Ethics. Twenty respondents worked for large agencies and twenty for small.

Each participant was asked to respond as he perceived the "average practitioner" would respond. Each statement was accompanied by a five-point Likert scale running from "strongly agree" to "strongly disagree."

The rather formal aspect of the respondents' perceptions of the average practitioner's ethical behavior were presented in Chapter III. The major findings below are stated in what the author believes to be a more meaningful form for the advertising agency practitioner.

Summary of Findings

It would appear that individuals, as they view their personal life concepts, fashion themselves to be strongly aligned with the philosophy of the rule-utilitarian, that is, the concept of making decisions based on rule following. In the general ethics element of this study, items were used to delineate a few personal concepts or rules of what is considered to be following or not following certain rules which would be accepted as right by most of the people, most of the time. Results indicated a strong desire on the part of the respondents to follow rules they perceive to be correct or just.

In four areas, this personal concept was ranked highly important. It proved to be more important than (1) the business relationship between their employer and the client, (2) the relationship between the practitioner and the client's advertising manager, (3) stronger than their responsibility toward the consumer and lastly, more important than the manner in which they perceived their position within the competitive business environment. This could possibly be interpreted to indicate a strong ego on the part of the practitioner which may well be found in most individuals.

The next interesting point for discussion was the apparent lack of regard for rule-following as it interacts with the responsibility toward the consumer. The consumer is regarded less important than (1) the business relationship

between the client and the practitioner's employer, the agency, (2) less important than the practitioner's relationship with the client's advertising manager, (3) less important than his position as an employee of the agency, and (4) less important than decisions that are made concerning the competitive business environment. Apparently rule-following is conceptualized to be much more important in the business of interacting with "close at hand" business and social association, or the profit motive, than with the "faceless" far-away receiver of advertising messages, the consumers. In light of such criticism directed toward the advertising business,¹ i.e., advertising adds to the costs of products and advertising causes people to buy products they do not need, it may well be more intensive study is needed in this area.

The practitioner apparently feels a strong need to be a rule-follower in his relationship as an employee. It could be viewed as a personal desire to conform to office rules and norms and thereby attain "success" or to be recognized as a "good" employee. This attitude was more important than the relationship between the practitioner and the client's advertising manager. It may well be that this also indicates a strong loyalty to the employer as opposed to the practitioner's attitudes concerning competitive advertising agencies.

The practitioner indicates a stronger desire to be a rule-follower as he perceives the overall business

commitment of his agency compared to his personal commitment to the client's advertising manager, i.e., maintaining the account, as a profit source, may well be more important than the relationship with the client's advertising manager.

Conclusions

It must be remembered that this study encompassed a very small universe. The conclusions to follow can serve only as indicators for future studies. It must be reiterated that in no manner does this study indicate a desire or intent to question the morals or ethics of the advertising practitioner or the advertising industry. It was designed, simply, to examine to what degree rule-following or the concept of rule utilitarianism is practiced as opposed to act utilitarianism in the advertising business and if the size of agencies makes a difference in the decision-making process.

The overall null hypothesis proved positive. There is no difference in rule-following exhibited during the decision-making process as viewed by large and small agencies. It is interesting to note the degree of influence the profit motive exerts on the advertising business in the area of decision-making. The advertising agency business, as viewed by this limited universe, apparently is strongly committed to the profit motive. However, in doing so, there is a predominance of rule-following or rule utilitarian philosophy followed.

Recommendations for Further Study

This study points out an area that demands further investigation. That area is the factor of sex. A significant difference does apparently exist in the decision-making process as it is performed by men and women. Indications are that women tend toward act utilitarianism while men maintain the philosophy of rule utilitarianism. As more women enter the advertising industry, a shift may result in the decision-making process. If further studies are accomplished and if those studies verify these findings, the American Association of Advertising Agencies may well be placed in a position of making one of two choices--either the rewriting and relaxing of its Standards of Practice or the establishing of new and stricter methods of policing its industry.

Concluding Statement

It was interesting to note that one of the largest advertising agencies in the Oklahoma City market, a long-time member of the American Association of Advertising Agencies, refused to participate in this study. The name of the agency and the reasons for refusal are unimportant and will not be divulged.

Advertising practitioners are merely people. Every individual fashions for himself an ethical code with which he can comfortably exist. Kugel and Gruenberg wrote that

the business executive, or in this case, the advertising practitioner fits into any mold he desires and the cost benefit approach helps him to make his decisions.²

NOTES

¹Louis Kaufman, Essentials of Advertising (New York, 1980), p. 495.

²Yerachmiel Kugel and Gladys W. Gruenberg, eds. "Introduction: Models of Ethical Behavior," Ethical Perspectives on Business and Society (Lexington, Mass., 1977), p. 2.

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APPENDICES

APPENDIX A

STANDARDS OF PRACTICE OF THE AMERICAN ASSOCIATION OF ADVERTISING AGENCIES

First adopted October 16, 1924
Most recently revised April 28, 1972

We hold that a responsibility of advertising agencies is to be a constructive force in business.

We further hold that, to discharge this responsibility, advertising agencies must recognize an obligation, not only to their clients, but to the public, the media they employ, and to each other.

We finally hold that the responsibility will best be discharged if all agencies observe a common set of standards of practice.

To this end, the American Association of Advertising Agencies has adopted the following Standards of Practice as being in the best interest of the public, the advertisers, the media owners, and the agencies themselves.

These standards are voluntary. They are intended to serve as a guide to the kind of agency conduct which experience has shown to be wise, foresighted and constructive.

It is recognized that advertising is a business and as such must operate within the framework of competition. It is further recognized that keen and vigorous competition honestly conducted, is necessary to the growth and health of American business generally, of which advertising is a part.

However, unfair competitive practices in the advertising agency business lead to financial waste, dilution of service, diversion of manpower, and loss of prestige. Unfair practices tend to weaken public confidence both in advertisements and in the institution of advertising.

Creative Code

The members of the American Association of Advertising Agencies recognize:

1. That advertising bears a dual responsibility in the American economic system and way of life. To the public it is a primary way of knowing about the goods and services which can be freely chosen to suit the desires and needs of the individual. The public is entitled to expect that advertising will be reliable in content and honest in presentation. To the advertiser it is a primary way of persuading people to buy his goods or services, within the framework of a highly competitive economic system. He is entitled to regard advertising as a dynamic means of building his business and his profits.

2. That advertising enjoys a particularly intimate relationship to the American family. It enters the home

in an integral part of television and radio programs, to speak to the individual and often to the entire family. It shares the pages of favorite newspapers and magazines. It presents itself to travelers and to readers of the daily mails. In all these forms, it bears a special responsibility to respect the tastes and self-interest of the public.

3. That advertising is directed to sizable groups or to the public at large, which is made up of many interests and many tastes. As is the case with all public enterprises, ranging from sports to education and even to religion, it is almost impossible to speak without finding someone in disagreement. Nonetheless, advertising people recognize their obligation to operate within the traditional American limitations: to serve the interests of the majority and to respect the rights of the minority.

✕ Therefore, the members of the American Association of Advertising Agencies, in addition to supporting and obeying the laws and legal regulations pertaining to advertising, undertake to extend and broaden the application of high ethical standards. Specifically, we will not knowingly produce advertising which contains:

- a. False or misleading statements or exaggerations, visual or verbal.
- b. Testimonials which do not reflect the real choice of a competent witness.
- c. Price claims which are misleading.
- d. Comparisons which unfairly disparage a competitive

product or service.

- e. Claims insufficiently supported, or which distort the true meaning or practicable application of statements made by professional or scientific authority.
- f. Statements, suggestions or pictures offensive to public decency.

We recognize that there are areas which are subject to honestly different interpretations and judgement. Taste is subjective and may even vary from time to time as well as from individual to individual. Frequency of seeing or hearing advertising messages will necessarily vary greatly from person to person.

However, we agree not to recommend to any advertiser ^x and to discourage the use of advertising which is in poor or questionable taste or which is deliberately irritating through content, presentation or excessive repetition. Clear and willful violations of this Code shall be referred to the Board of Directors of the American Association of Advertising Agencies for appropriate action, including possible annulment of membership as provided in Article IV, Section 5, of the Constitution and By-Laws.

Conscientious adherence to the letter and the spirit of this Code will strengthen advertising and the free enterprise system of which it is a part.

Contracts

A. The advertising agency should where feasible enter into written contracts with media in placing advertising. When entered into, the agency should conform to its agreements with media. Failure to do so may result in loss of standing or litigation, whether on the contract or for violation of the Clayton or Federal Trade Commission Acts.

B. The advertising agency should not knowingly fail to fulfill all lawful contractual commitments with media.

Offering Credit Extension

It is unsound and uneconomic to offer extension of credit or banking service as an inducement in solicitation.

Unfair Practices

The advertising agency should compete on merit and not by depreciation a competitor or his work directly or inferentially, or by circulating harmful rumors about him, or by making unwarranted claims of scientific skill in judging or prejudging advertising copy, or by seeking to obtain an account by hiring a key employee away from the agency in charge in violation of the agency's employment agreements.

These Standards of Practice of the American Association of Advertising Agencies come from the belief that sound practice is good business. Confidence and respect are indispensable to success in a business embracing the many

intangibles of agency service and involving relationships so dependent upon good faith. These standards are based on a broad experience of what has been found to be the best advertising practice.

APPENDIX B

SURVEY INSTRUMENT

Due to the effort you have put forth and your position in the advertising industry in Oklahoma City, you have been selected to assist in a study of attitudes of advertising practitioners. The questionnaire will take only a few minutes of your time. We greatly appreciate your participation.

The purpose of this study is to measure the attitudes of various people concerning a set of statements. In completing this questionnaire, please make your judgments based on how you believe the "average" advertising practitioner would feel about the subject. Would they agree or disagree with the statement, and to what degree? If you believe "they" agree strongly, you would then place your check mark on the extreme left blank. If you believe "they" would disagree strongly, you would place your check on the extreme right blank.

As you make your selections you will note that there are five blanks under each statement. Reading from right to left, your answer choices are:

| | | | | |
|--------------|--------------|-----------|-----------------|-----------------|
| <u>Agree</u> | <u>Agree</u> | <u>No</u> | <u>Disagree</u> | <u>Disagree</u> |
| Strongly | | Opinion | | Strongly |

As you make your selections, please make your check mark in the center of the blank. Also, please make a selection for each and every statement.

Sometimes you may feel as though you've had the same item before on the questionnaire. This will not be the case, so do not look back and forth through the items. Do not try to remember how you checked similar items earlier on the questionnaire. Make each item a separate and independent judgment. Complete the questionnaire as rapidly as possible. Do not worry or puzzle over individual items. There are no right or wrong selections. It is your first impression, the immediate "feelings" about the items that we want. On the other hand, please do not be careless, we want your true impressions.

Thank you for your participation in this study. The results will be available for your perusal in June, 1982. If you are interested in the results of this study, please contact me at that time.

Sincerely,

Charles Overstreet
Lecturer, Advertising
Journalism/Broadcast
Oklahoma State University
Stillwater, Oklahoma

Due to the nature of this study, we ask that you do not identify yourself in any manner on this questionnaire. In order to secure some needed demographic and psychographic information, we do ask the following questions about you personally:

Age:

_____ 20-30

_____ 50-60

_____ 30-40

_____ above 60

_____ 40-50

Sex:

_____ Male

_____ Female

Which one of the following best describes your position in the agency?

_____ Clerical

_____ Account work

_____ Media

_____ Management

_____ Creative

When you were growing up, were your parents:

_____ Very strict

_____ Somewhat permissive

_____ Somewhat strict

_____ Very permissive

What is the highest level of education you have completed?

_____ High school

_____ Master degree

_____ Bachelor degree

_____ Doctorate degree

1. A client writes his own copy and gives it to the agency for production. The copy is not up to agency standards, but it should be accepted and used.
Agree Strongly ____ Disagree Strongly
2. The agency business, as such, must make a profit at all costs.
Agree Strongly ____ Disagree Strongly
3. Ethics is ethics and business is business. Profits are one thing and moral squeamishness is another.
Agree Strongly ____ Disagree Strongly
4. The business community being what it is, there is no set of moral rules under which an agency can operate at all times.
Agree Strongly ____ Disagree Strongly
5. The advertising practitioner must concentrate on the activity of producing results for the client rather than profits for the agency.
Agree Strongly ____ Disagree Strongly
6. It's okay to bill the client for client mistakes.
Agree Strongly ____ Disagree Strongly
7. The advertising practitioner should believe in the product in order to produce good advertising.
Agree Strongly ____ Disagree Strongly
8. An agency should terminate its relationship with clients that practice "bait and switch" sales techniques.
Agree Strongly ____ Disagree Strongly
9. Ethics is ethics and survival in this business is another. Making the house payment is one thing and moral squeamishness is another.
Agree Strongly ____ Disagree Strongly
10. Office politics being what it is, there is no set of ethics under which the practitioner can operate.
Agree Strongly ____ Disagree Strongly

11. What employees do not know about agency matters will not hurt them.

Agree Strongly ____ Disagree Strongly

12. As long as the client is happy, the agency management should not scrutinize the work of the advertising practitioner.

Agree Strongly ____ Disagree Strongly

13. Consumer can be convinced, through skillfully constructed advertising messages, to purchase practically anything.

Agree Strongly ____ Disagree Strongly

14. If a sexual approach will sell the product, use it.

Agree Strongly ____ Disagree Strongly

15. With so many competing products on the market today, exaggerations, both visual and verbal, are necessary in advertising.

Agree Strongly ____ Disagree Strongly

16. In comparative advertising, the message should be constructed in such a way to make your product appear significantly superior.

Agree Strongly ____ Disagree Strongly

17. Competition in the agency business, being what it is, there is no set of ethics under which an agency can operate. All's fair in love, war and the advertising business.

Agree Strongly ____ Disagree Strongly

18. Knowing a competing agency's plans for a new client presentation can be very advantageous. Obtaining such information any way possible, without getting caught, is okay.

Agree Strongly ____ Disagree Strongly

19. The Golden Rule sounds good, but it doesn't work in the advertising business.

Agree Strongly ____ Disagree Strongly

20. The name of the game in advertising is MONEY.

Agree Strongly ____ Disagree Strongly

21. Saving money on tax returns by withholding information, lying about income, deductions, etc.

Very wrong ____ Not wrong at all

22. Padding expense accounts in order to break even on expenses.

Very wrong ____ Not wrong at all

23. Driving away from a parking lot after putting a relatively small scratch on another person's car.

Very wrong ____ Not wrong at all

24. Falsifying a child's age in order to get a reduced fare.

Very wrong ____ Not wrong at all

VITA |

Charles William Overstreet

Candidate for the Degree of

Master of Science

Thesis: ADVERTISING PRACTITIONERS' ETHICAL DECISION-
MAKING, THE UTILITARIAN VIEWPOINT

Major Field: Mass Communications

Biographical:

Personal Data: Born in Cherokee, Oklahoma, April 22,
1930, the son of Mr. and Mrs. C. E. Overstreet.

Education: Graduated from Ponca City High School,
Ponca City, Oklahoma, in May, 1948; received
Bachelor of Fine Arts degree from Oklahoma
State University, Stillwater, Oklahoma, in
January, 1953; completed requirements for the
Master of Science degree at Oklahoma State
University in May, 1982.

Professional Experience: U. S. Army, January, 1953,
to December, 1957; Staff Artist and Photographer,
Stamats Publishing Company, January, 1958, to
October, 1959; Production Manager and Account
Executive, Ross Cummings Public Relations,
October, 1959, to March, 1963; Advertising
Manager, University Sound, March, 1963, to
April, 1971; Advertising Manager and Manager
of Marketing Services, Altec Corporation,
April, 1971, to June, 1974; Director of Com-
munications, TEAC Corporation, June, 1974, to
June, 1976; Self-employed June, 1976, to
November, 1979; Controller, International
Tours of Stillwater, November, 1979, to
September, 1980; Lecturer and Graduate Student,
School of Journalism and Broadcasting, Oklahoma
State University, 1980 to present.