# Business Ethics: Corporate Scandals, Corporate Responsibility and the Media: Who Should We Believe?

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Business Ethics magazine hosted the 1st Annual Business Ethics Summit "Corporate Scandals, Corporate Responsibility and the Media: Who Should We Believe?" April 21st in New York City. In the three separate articles below, Peter Asmus captures the essence of the day's proceedings.

WSJ, NYT Editors Define and Defend Media's Coverage of Corporate Scandals

Why doesn't The New York Times run more positive stories about corporate social responsibility? Because the role of the Times is to be a watchdog, not a cheerleader, said Lawrence Ingrassia, business editor of The New York Times. His newspaper "contributed to the development of business ethics not by writing positive stories, but instead focusing public attention on questionable activities," Ingrassia said at the April 21 Summit hosted by Business Ethics magazine in New York.

Ingrassia was one of two leading business editors who spoke at the Summit meeting; the other was Paul Steiger, managing editor of the Wall Street Journal. Both opened themselves to questioning by CSR proponents, and helped define and defend how their papers cover business scandals.

"Most media companies do not have the resources to dig into these problems like the Times or the Journal has," Ingrassia said. "How best do I allocate my resources? While better than most, we still do have limited resources, and shining a light on problems is what we do best. We leave to others to write about the great stuff some of you do."

"I think it is fair to ask whether we have overdone corporate scandal coverage," Ingrassia said. "One might ask, 'Who appointed the media to be the watchdog of business ethics?' My response is this: If not us, who? There is an entire industry out there dedicated to making companies look good, and they spend hundreds of millions of dollars to get their message across."

Ingrassia then ticked off several stories Enron, mutual fund management, and contingency fees charged by insurance companies -- in which corporations "concealed rather than revealed and came clean." He continued, "For all of the faults, the media continues to play a watchdog role. It is our responsibility to not just report the news, but to hold government and corporations accountable. You would really not want it any other way. Our job is to shine the harsh light of truth on institutions and the people who run them."

Paul Steiger, managing editor of the Wall Street Journal, gave the opening keynote address at the one-day conference sponsored by Business Ethics magazine and devoted to exploring how good of a job the press plays in covering business ethics trends.

"Very few people get up in the morning, and say to themselves as they are putting on their tie: 'I'm going to commit corporate fraud today, I'm going to break the law,' " Steiger said. He used the example of Enron, noting that the crimes committed evolved in a step-by-step process, as people "slide into bad behavior." From his perspective, sliding down this slippery slope of unethical acts is easier in an institutional context than on an individual basis.

Steiger highlighted the important distinction between individual ethics and ethics inside a large institution. "Everyone is responsible for his or her own actions," he said. "Remember what your mother said: 'Just because Johnny does it, doesn't mean you can do it.' " Individual ethical principles are simple. But the ethics of decisions within large corporations are "more challenging," as these institutions sometimes "surrender to complex pressures."

The pressures on business in the Nineties were widespread, creating "the most extreme wave of corporate scandals that I have seen in my 40-year career," said Steiger, who has also served as an editor at the Los Angeles Times. Just the same, he pointed out, scandals are nothing new. Over the past several decades, corporate price-fixing, mutual fund management, corporate campaign contributions, and overseas bribes have all made headlines.

"It is a cycle," he noted, comparing the current political environment to a pendulum swinging back and forth. At present, the movement is toward a clampdown on business, he said.

In terms of the job the Wall Street Journal has done in covering ethical challenges, Steiger acknowledged that business journalism was hardly immune from mistakes and that he and the newspaper had its bad days. "Our mission is to report on capitalism, a terrible system, but one which is better than the alternatives. I see as part of my job to report on the failures, so they can be avoided in the future."

When someone from the audience queried him about the notable differences between the Wall Street Journals heralded business coverage (the paper has been awarded 14 Pulitzer Prizes under his tenure) and its fiercely pro-free-market editorial pages, Steiger quipped: "With the Journal, you get two newspapers for the price of one." He acknowledged that he disagreed frequently with his newspapers editorials, but that they always made him think.

The Dangers of Over-Simplification and Presumptive Integrity

"Has a fixation on scandal over-simplified the issues?" David Frishkorn, director of business ethics and compliance at Xerox Corp., answered simply: "The answer to that heavy question is an unequivocal YESand NO."

Frishkorn was speaking as a member of a panel at the Business Ethics Summit held April 21 in New York. He emphasized he was speaking as an individual, not as a representative of Xerox. He went on to explain: "First, I believe the answer is YES, because in todays environment, we run a high risk of treating everything as a scandal, and thereby rendering even the important issues as non-noteworthy by a scandal-weary society. We also run the risk of causing undue fear on the part of corporations when it comes to dealing with the media, thereby leading to an adversarial relationship rather than one of mutual respect."

Frishkorn emphasized that media coverage had its positive effects as well, because its call to action "appropriately brought the focus back to fundamentals that had been obscured by the stock feeding frenzy of the 1990s." He went on to say that the scandals only came to light because of good reporting. "Media attention is vital to ensuring a strong, ethical, and vibrant business community."

Xerox itself has long been known as a leading corporate citizen, but a few years ago was hit by its own scandal, when it ended up on the front page of the Wall Street Journal in a story about a Securities and Exchange Commission investigation into accounting irregularities. Frishkorn acknowledged that he and many fellow employees felt wounded and betrayed.

"My opinion is that at least part of the blame falls on the very environment of which we have been so proud," he said. "Our culture created a blind spot, something that experts have called 'presumptive integrity' we simply did not believe that anything wrong could occur inside our walls. In this cocoon of false security, one tends to rely more on personalized relationships and presumed integrity, rather than setting out on a journey to thoroughly question, analyze, and scrutinize incremental actions as they are occurring."

One impact the scandal had on Xerox was the creation of an ethics "helpline." He noted that the title was not "hotline" but "helpline," as Xerox wanted to send the message to its employees that if they were afraid of peer pressure, they could use the line to seek guidance.

Frishkorn said he expected some 1 percent to 1.5 percent of Xerox's 60,000 people workforce might use the line, and he was right. During 2003, 700 people called. In 2004, 600 people called. In 2001, the first year the helpline was instituted, one in four calls were anonymous. Today, that has dropped to 17 percent, a figure that Frishkorn attributed to employees feeling more comfortable with expressing their gripes without fear of retribution.

Business Ethics Survey Results Rates Media Performance

Among professionals who follow corporate social responsibility (CSR) closely, three out of five say the business press is doing a poor job of covering CSR. And nearly four out of five say business reporters focus "too much on daily stock swings and quarterly earnings reports." Thats according to an informal sampling of opinion from readers of Business Ethics magazine's on-line newsletter.

The survey results were shared with the 100-plus attendees at the first annual Business Ethics summit, held April 21 at the New York City Helmsley Hotel. Entitled "Corporate Scandals, Corporate Responsibility and the Media: Who Should You Believe?," the event was the first CSR/ethics conference focused exclusively on the press. It brought together an unusual mix of media representatives, non-governmental organizations, and representatives from companies that recently appeared in the sixth annual 100 Corporate Citizens list published by Business Ethics magazine.

Michael Connor, executive editor and publisher of Business Ethics magazine, acknowledged that the survey was not a random scientific exercise. Still, the more than 90 people that participated in the on-line survey provided a good snapshot of how those who closely follow the myriad of issues that fall under the umbrella of CSR feel about a spate of high-profile scandals that have rocked Wall Street over the last several years.

When asked about how good of a job the press was doing in reporting on business ethics, nearly half said the press was doing a good job, while half thought they were not. Nearly four in five complained that the business press was "biased in favor of big business." On a more promising note, the survey also showed that fully two-thirds of respondents felt that the business press coverage of ethics and CSR had indeed improved over the last two years.

Perhaps the most revealing statistics pertained to the general lack of awareness of CSR among the general public, the business press, and within corporate boardrooms themselves:

When asked whether the average American had a good understanding of what CSR is, nine out of 10 said "no." More than two-thirds said journalists and CEOs didn't understand CSR either.

When asked if corporations were engaged in CSR merely for public relations, three out of four said yes. But when probed further and asked if they agreed that the CSR movement had gone too far as was suggested in a well-publicized article in The Economist magazine last November 93 percent disagreed.

Interestingly enough, four in five were able to correctly identify the author of the famous quote: "Only the little people pay taxes." Those words were uttered by Leona Helmsley.

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