

News of the World: the cost of ethical failure

 By [Cynthia Schoeman](#)

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The scandal arising from the [News of the World](#) (NoW; [#NOTW](#)) phone-hacking has continued to escalate. So, too, has the reaction, with Gordon Brown, former UK prime minister, commenting that its publisher News International has "descended from the gutter to the sewer".

This prompts the question: what failed?

Given that ethical behaviour is mostly shaped by values, rules (including laws and regulations) and leadership, it would be fair to conclude that they all failed. Values were abandoned, rules and laws were ignored, and leadership did not provide guidance - all reflecting an approach of "results at any cost".

Consequences and costs

There are, of course, consequences and costs for breaches of ethics and the law. Guilty individuals have lost their positions and, sometimes, their freedom, following jail sentences. Organisations have faced falling share prices and huge financial costs in the form of fines or legal settlements. Reputational costs have negatively impacted both individuals and organisations.

All of these costs, and more, are playing out as the *NoW* scandal continues to be exposed.

Despite a 168-year history, the newspaper was permanently closed within days of the scandal breaking, the last issue being produced on Sunday, 10 July 2011.

The scandal has led to an increasing number of resignations and arrests.

Early arrests included former *NoW* editor [Andy Coulson](#), and ex-*NoW* royal editor [Clive Goodman](#), who served a jail sentence for phone hacking in 2007. Coulson was arrested for phone hacking and corruption allegations, the latter related to illegal payments to police during his tenure as editor. News International chief executive Rebekah Brooks's resignation was followed by her arrest, and former *NoW* executive editor Neil Wallis was also arrested.

The implication of the police has also led to the resignation of Sir Paul Stephenson, commissioner of the Metropolitan Police Service and Britain's most senior police officer.

After pressure from the public and parliament, Rupert Murdoch announced that News Corporation would withdraw its

proposed takeover offer for British Sky Broadcasting Group (BSkyB). And, a powerful BSkyB shareholder group has called for James Murdoch to resign as chairman of BSkyB in pursuit of clearing up the "questionable governance practices" at the company.

Who else bears the cost?

But, who else bears the cost? Although this incident appears to only involve the press, it risks tainting the media in general. The fury it has unleashed also brings the possibility of an over-reaction by the authorities, for example, in the form of regulation which will infringe the [freedom of the press](#).

South Africa already has the threat of the [Protection of Information Bill](#) looming, which will allow state institutions to classify information to keep it out of the public domain. The last thing needed is a scandal of this sort to lend support to passing the bill.

The *NoW* scandal also threatens to erode public trust in the press, possibly extending to the media, too.

This is rather ironic, given the findings of Transparency International's [Global Corruption Barometer 2010 Report](#), based on the general public's views on and experience of corruption among more than 90 000 people in 86 countries.

Asked whom they trust the most to stop corruption in their countries, the media was ranked the highest by 25% of respondents. That this was matched by 25% who reported that they do not trust any institution reflects a disturbing erosion of public confidence that any institution - the media, government or the private sector - can curb corruption.

The close relationships between senior British politicians and the heads of News Corporation and News International (a subsidiary of News Corp) have also come under scrutiny. It remains to be seen if this will result in any further resignations.

Lead to business closure

The cost of unethical and illegal conduct can, as in the *NoW* case, also lead to the closure of a business. When this happens, the employees who lose their jobs also bear the cost. While many *NoW* employees may get employed elsewhere in the News International group, some won't.

This illustrates a particularly pernicious consequence common to many ethical failures, namely that the cost extends beyond the perpetrators to innocent victims who effectively "share" the cost. The many people whose phones were hacked are also innocent victims "sharing" the negative consequences of someone else's unethical actions.

This adds enormously to the public outrage and illustrates each time how much ethics matters. Acknowledging that there are no victimless crimes does not alleviate the situation. Nor will the settlements, which are likely to follow the many breaches of privacy charges against News International, reduce the severity of this saga.

Rather, as this scandal unfolds, it will be pertinent for News International to consider how to recover from such a massive ethical failure.

A start

Admitting it "lost its way" is a start. Their rapid closure of the *NoW* is noteworthy (assuming cynical views of planned business restructuring don't prove to be true), although at a cost to others. Withdrawing the BSkyB bid is just bowing to the inevitable. Murdoch's public apology should have been impactful - but its delay (echoing Murdoch's delay to agree to attend the Parliamentary hearing) eroded the benefit.

It now remains to be seen if the other crucial steps will follow. Will all relevant details of the actions be given to the authorities, will the leadership take responsibility for what happened on their watch, and what meaningful actions will they

take to make amends? Thereafter, they face the on-going task of building and maintaining an ethical culture.

Coming off such a low base, it won't be an easy one.

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