

# Report on business ethics challenges affecting news corp

[Business](#), [Company](#)



## **News Corp**

News corp. is one of the world's second largest media company, after the Walt Disney Corporation in terms of its yearly income Mphail (2010 (2010, pp. 168). It has established a vast and diverse media holding all over the world, these holdings include; Limited, 20th Century Fox, Fox Broadcasting Company, HarperCollins Publishers and many others. News Corp has faced many challenges in the past years. Notably, from the difficulties they face, many people would say it is because of their on purpose actions. These challenges began when the company started engaging itself in illegal unethical issues in its operation.

In the short run, this has affected the company's stock prices because of their alleged involvement in unethical behavior entailing one of their publications in British publications, News of the World. Surprisingly, the company in the recent years has been trending up in its revenue outcomes. Despite the high income experienced by the company, leadership in this company has been brought to question by both the stockholders and the church leaders. It remains to be questioned on how long the company will sustain such a reputation.

In January 2011, police opened a new investigation of the hacking scandal that the company was involved, more than 63 accusations against the company were filed by the British police. These accusations had involved politicians, movie stars and parents to two children that were victimized in the course of violent crimes. Recent evidence shows that many people were aware of the phone hacking, it is alleged that even the CEO of the company

James Murdoch was aware of this. As unethical behaviors of the company continue to be uncovered, the company will have to deal with the consequences in the near future.

The multiple allegations against the company have raised constant questions concerning the company's official ethical stance. It is clearly evident that the company does not uphold its ethical values and behaviors, phone hacking that involved the company fueled the need to take a second look into the allegations that it had engaged itself in. News Corp was accused of stealing information from an entrant company to gain aggressive information that would have helped the company compete with its competitors.

Many unethical issues concerning the News Corp company were never addressed till a whistleblower Gert Van Mol stepped forward to disclose the distrustful acts of the company, despite the fact that this many issues were exposed including the hacking scandal, the company did not admit any wrong doing on their part, this shows how company's management is morally spoiled and rotten, it is clear that the company do care less concerning their ethical stance.

Arguably, the official ethical stances of this company should be reviewed, its ethical stance is totally towards the negative, something that is very discouraging considering that this is an international company that should uphold strict and approved ethical behaviors in the society instead of being involved in the same Jennings (2012, pp. 64).

## **Accusations made against News Corp**

Murdoch's News Corps' subsidiaries, the now non-operational News of the World, were accused of involving in a phone hacking scandal (voice mail), particularly those belonging to prominent individuals such as politicians, celebrities, and ordinary citizens. This was undoubtedly one of the worst scandals as far as violation of British media standards and ethics. The scandal placed the British media under intense pressure coupled with increased concerns towards the investigation of ethics in the media industry. While key stakeholders such as Saudi Prince Alwaleed Bin Talal (the largest shareholder of Kingdom Holding Company, strongly supported Rupert Murdoch, other shareholders and investors such as the US amalgamated Bank were less sanguine because they went to an extent of suing News Corp for the manner it employed in handling the phone hacking scandal.

News Corp international's News of the World was accused of stealing private and confidential information from the cell phones of Sept. 9/ victims. This became so intense to the extent of attracting investigations from the FBI. The UK Daily Mirror tabloid (News of the World's rival) revealed information that News of the World engaged in unethical business practices such as corruption and violation of privacy. It is argued that the News of the World tried to bribe a retired police officer from New York to provide assistance in hacking the victims of the September 11 terrorist attacks.

Many a shareholder and investor were concerned about the aspect of corporate governance at News Corp. The critiques and accusers compared the Phone hacking scandal to the Enron corporate accounting scandal that

was geared towards convincing stakeholders of improved profit generating capacity (Castellano, and Lightle, 2005). While the phone hacking did not involve an issue of profit manipulation, it did bring a great impact in damaging the reputation of the company (Adams & Balfour 2011; Leung, and Cooper, 2005). Due to poor corporate governance, News Corp's share price declined steadily. Other than damaging the News Corp's reputation, the phone hacking scandal did lead to the loss of investor confidence given the uncertainties of the company's operations (Leanne, & Greg, 2011).

A section of critiques also compared the phone hacking scandal to poor management practices that almost brought down the Lehman brothers. This raised the questions concern that management strategy used by Rupert Murdoch. It became apparent that News Corp suffered from a management crisis. The scandal also unearthed other management missteps by Rupert Murdoch and his family business empire. Murdoch seems to have forgotten the importance of ethics in all aspects of life (Barsky, 2010)

News Corp executives were also accused of paying bribes to police officers thereby questioning the issue of corruption in multinational corporations. Many multinational corporations do engage in illegal and corrupt business practices to realize their goals and objectives. This scandal was followed by the unearthing of other illicit business activities. The nature with which the government handled the scandal raised increased concerns from a section of the media concerning the role of the government in the scandal (Ferrell, Fraedrich, and Ferrell, 2011; Cheeseman, 2010.). For instance, the

government approval process regarding the news release was questionable (Adams & Balfour 2011).

Other accusations of in favor of Murdoch were allegedly termed as conspiracies because they argued that the phone hacking scandal was a strategy aimed at preventing the media Mogul from getting ahold of the British media industry. It is argued that plenty of British folks feared that Rupert Murdoch was gaining an increased share of the UK media industry and hence, an alliance comprised of UK media companies such as publishers of the Guardian newspaper, Daily mail, and the daily telegraph were opposed to this idea. For this reason, they plowed a conspiracy to unearth unethical activities of Murdoch and his News Corporation. This move was attributed to the increasing acquisition of media companies by News Corporations.

News Corp's Wall Street Journal subsidiary in Europe, also came under intense on allegations of funding the purchase of its copied in circulation. These allegations were directed towards Dow Jones MD Andrew Langoff who was accused of being responsible for funneling the funds for the purchase of the copies. While News Corp did not confirm the allegations and the wrongdoings and bribing allegations they did admit that the corporation was uncomfortable with the appearance of certain uncouth business practices and had proceeded to sack of the employees. Employee engagement in ethical practices and manipulation of company performance has been on an increase in the recent past (Corey, Corey, and Callanan, 2007).

Other allegations affecting News Corp involved a division of News Corp in the US over claims of illegally obtaining information from the competitor. News America Marketing was allegedly involved in hacking information from its closest competitor, Floorgraphics computers, with the aim of obtaining information that could assist it in strengthening its competition. The case ended with News Corp being forced to pay \$29.5 million in settlements. As a move to enhance News Corp's social responsibility Rupert Murdoch agreed to donate £1 million to charity after settling debts involving the murder. This shows the importance of social responsibility to companies (Werther, and Chander, 2006).

## **Management of Business Practices**

Egoism is the excessive sense of importance, it is clear that the company's CEO James Murdoch and those responsible in the hacking had self-interests in mind; they did not bother tampering the system of the other company for their own advantage. Utilitarianism theory instructs adherence to the work of the company that will bring the best outcome to the majority and is often considered the base of social justice, it is clear that the company only observed their best outcome and neglected the effects of the scandal to others.

The theory of justice generally advocates for equality and liberty, it is meant to sought out the conduct of two parties Kolm (1998, pp. 31-53). According to this theory, the action of the company hacking the system of the competitor is not at all justified by this theory it totally went against the rule. It is also clear that the company having involved in the killing of a child that

belonged to Milly Dowler is totally against the UN Universal Declaration of Human Rights.

Consensus standards are guidelines that define what is bad or good and that is the way decisions should always be made by the company Thomas (2009, pp. 175). The decision of hacking other company's system is not per the required consensus standards in a company.

Mission / Value Statement enhances our values and dictates how a company should be managed, it shapes our corporate social culture Talbot (2003, pp., 1-5), News Corp went against the common mission statement hence bringing doubt to its ethical stance. Codes of Ethics serves as a guide to the professional and social workers, the entire management of the company went against the standard codes of ethics.

According to the stakeholder's theory, business should create as much value to stakeholders as possible Philips (2011, pp. 1-75) despite this News Corp went against the will of the church by having committed murder and hacked the system of another company.

## **Recommendations**

The phone hacking scandal was a huge setback for the company and there is need for the company's top brass to set up strong position with regards to improving ethical behaviors. The poor handling of the issue by the company's management indicated serious ethical flaws within the company in addition to affecting the company's reputation. The poor reputation has cost the company monetarily and it continues to incur more cost. Analysts say that it will take News Corps a long time to regain its long held reputation



as a leading media company in the world. In regards to making recommendations, key areas of focus include corporate governance, corruption, and privacy policies. Also, being a media, News Corps failed to comply with media ethical standards which are basically principles and guidelines that are applied within the media context.

The company's move to reform its business ethics through a compliance program has been dubbed a positive step towards building its lost reputation. The entertainment business segment has been separated from the publishing business segment thus paving the way to only publish items that meet ethical standards. The company has chosen to organize the compliance program in a five group categories. Ethical and legal standards in each of the five groups will be overseen by an appointed official from the company's top management.

In addition to the reforms, there is need to strengthen anti-bribery programs which will prevent its employees or employees of subsidiary companies to ever engage in police bribery or any other form of briber. Bribery was one of the major ethical issues that erupted from the phone hacking scandal. The employees engaged in bribery with the police in order to retrieve private information from targeted individuals. There is need for compliance with the global anti-corruption guidelines as a company that conducts its operation in the global landscape. The global anti-corruption laws prohibits the company and any other company they conduct business wit from engaging in any corrupt activities.

The global anti-corruption laws are very strict in addition to being complex. In some cases, a company can be held responsible for bribery and corruption activities of third parties. The punishments of lack for lack of adherence are also severe and can range from fines to sentencing. However, convicted companies will only be subjected to heavy fines while individuals are the ones being subjected to jail sentencing. The training programs for global anti-corruption laws are recommended for News Corps because the company's employees and management team will learn how to conduct their business while complying with the law. Therefore, each of the company's independent business units needs to have an anti-corruption compliance staff who will ensure that all business operations are monitored for compliance with the law.

The company also needs to review its code of business ethics to comply with corporate governance. The codes need to be enhanced in a way that clearly stipulates actions statements. The actions statements have to describe how the company's employees will behave while conducting business in the name of the company. There is need to ensure that editorials operations are not influenced by any business dealings of the company.

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