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# Perspectives

## Where are corporate ethics?



In a recent article, **David Pauly**, a correspondent for **Bloomberg News**, talked about the phenomenon of corporate obfuscation. Fudging financial numbers is no longer the only problem regulators should worry about, he suggests. Large and small corporations, across the world, are increasingly resorting to *language* that alters the truth or disguises it altogether. While I categorically disapprove of any added role for regulators and government, Pauly's article nevertheless perked me up. Corporations do resort to numerous tactics that are indefensible.

On the marketing front, the problem has been with us for some time. I remember my outrage when, a few years ago, a major phone company sent me a solicitation to buy phone cards. If I bought five of them, each with \$10 of long distance time on them, I'd get them for \$2 a piece! Wondering how this could be, I read the color brochure and the covering letter that came with it. Everything seemed as the headlines had promised. Then I turned to the small print on what was called an activation card, for which I literally needed the help of a magnifying glass. Now the story changed completely: each time the buyer used a phone card the first time, his credit card would automatically be debited for the other eight dollars... I thought about the countless recipients who'd received the same offer and been duped. In today's economy such stories are a dime a dozen. Even in the world's largest corporations, it seems the only objective is to make a sale. How it's done and what is said is secondary.

### Selling at any cost

Incidentally, the mind games companies devise to engage consumers are equally apparent inside their organizations. We've long grown used to salesmen of virtually any article or service being called "consultants", but that was only a humble beginning. Telephone operators are now "communications specialists" and the voice-mail message of a courier company I recently called asked me to stay on hold for a "routing expert". David Pauly uses the example of government-owned railway operator **Amtrak**, who describes its customers not as shoppers or passengers but as guests. "Since when does the guest pay?" asks Pauly.

## Obfuscation not just in marketing

Marketers will always be marketers, you may say, but the same distortions are gradually becoming the norm in financial reporting. This year's top award for effective obfuscation of unpleasant news should go to **LTV Corporation**, the large US steel maker. It recently announced a plan that would "preserve high quality manufacturing jobs within its communities." Reading on, we learn that LTV is closing a steel mill and eliminating 900 jobs.

**AOL Inc.**, the media and internet giant, provided a similar example of spinning the truth. Forced by crashing technology markets to write off \$620 million in impaired investments in the first quarter, the company said these investments experienced "other-than-temporary declines."

In this context, David Pauly brings up a recent statement by **Corning Inc.**, the fiber optics company, whose latest earnings report, he says, "bordered on dishonesty." Apparently, the company said its first-quarter pro forma earnings exceeded the analysts' consensus estimate by 1 cent a share, just as if that were an accomplishment. "Corning failed to mention that the analysts' estimates are based on what Corning tells them -- and this looked like just another example of a company low-balling its estimate in order to beat it." The practice Pauly describes is, unfortunately, extremely widespread.

What I find extremely disturbing is that the apparent lack of morality in corporate communications comes at a time when ethics are more widely talked about and taught than has ever been the case before. When I entered the financial business, few management schools had courses in ethics. Yet once set loose on society, no graduate would have dreamed of preparing the type of public communication we now routinely see. In contrast, when my daughter took out her Chartered Financial Analyst designation, she told me that ethics had made up a huge portion of the three-year course.

Viewed from another angle, when I started out, people who decided to engage in misinformation would not have survived in most corporations. Less respectable enterprises might engage in such practices, but not firms which wanted to be perceived as honorable. In the new culture, the most clever wordsmiths and spin-masters are aggressively wooed by the world's most established companies. It's vital that they've taken the ethics courses, so that they won't get their employers into too much legal trouble, but once they've done that, they're actively encouraged to deploy their creativity to its fullest.

## What is a lie?

A number of years ago, I considered writing a book on how the meaning of what is truth and what constitutes a lie changes from culture to culture. I did some basic research and discovered that in languages like Russian, Japanese and Chinese, dozens of words exist for what we simply call "a lie". Some lies are perfectly tolerated, others are justifiable under certain circumstances, while yet others breach morality. The publisher with whom I discussed this was fascinated, because it made him aware how narrow our interpretation of lying is.

Things have obviously changed since then. Reading David Pauly's article made me realize that lying, as we once understood it, is no longer offensive. And that our corporate culture provides the ideal study material! □