



**RI Insights** is an online research digest published quarterly by RI. The purpose of RI Insights is to provide convenient capsule access to recent research on reputation-related topics: social responsibility, financial valuation, workplace environment, leadership & governance, products & services branding, and emotional appeal.

RI Knowledge [www.reputationinstitute.com](http://www.reputationinstitute.com)

## Business Ethics: Corporate Responses to Scandal

REPUTATION INSTITUTE 

RI Insights is an online research digest introduced in Fall 2003 and published by RI. The purpose of RI Insights is to provide convenient capsule access to recent research on reputation-related topics: social responsibility, financial valuation, workplace environment, leadership & governance, products & services branding, and emotional appeal.

**Overview**  
Since 2001, the U.S. has faced a wave of corporate scandals, resulting in the liquidation of corporate assets, the demise of once-powerful corporate brands, and extensive litigation.

As a result, questions of corporate ethics have taken center stage in boardroom discussions. Three principal corporate responses have emerged from these discussions:

**Infusion of Ethical Principles**  
The scandals have called attention to the prevalence of serious forms of ethical misbehavior in business. [2\\_consumer](#)

The U.S. has faced a wave of corporate scandals, resulting in the liquidation of corporate assets, the demise of once-powerful corporate brands, and extensive litigation.



RI Knowledge [www.reputationinstitute.com](http://www.reputationinstitute.com)

## Martha Stewart

RI Cases is a series of selected company case studies that highlights companies facing reputational events or situations of interest.

**Overview**  
On July 16, 2004, Martha Stewart—founder, CEO, and majority shareholder of Martha Stewart Living Omnimedia (MSO)—was sentenced to 5 months in prison, 5 months home confinement, two years of supervised probation, and ordered to pay a \$30,000 fine for lying about a 2001 stock sale. On March 3, 2004, a jury found her guilty of conspiracy and making false statements regarding her decision to sell 3,928 shares of ImClone stock on December 27, 2001—one day before the FDA announced they were rejecting ImClone's request to market Erbitux, a cancer drug. Also convicted on similar charges was Peter Baccovio, Stewart's former stock broker with Merrill-Lynch.

MSO is an integrated content and commerce company that creates how-to content and domestic merchandise for homemakers and other consumers. The Company's business segments are publishing, television, merchandising and Internet/direct commerce. Some of the

better known MSO components of brands include Stewart Kids, a Weddings, real estate, and Martha Stewart Living. Martha Stewart Signal range of products.

Martha Stewart embodying the devoted most quality of the modesty and extravagance of a father who a mother who and helped her Martha Stewart middle class entrepreneur went on to start business and an empire trading Exchange. She of a company.

Because Martha Stewart's name is directly linked to all MSO brands, and because the investigation, indictment and trial spanned close to three years, the impact on MSO was severe.



News RI knowledge

## SUMMER 2007

**ANOTHER GREAT YEAR: REPUTATION INSTITUTE'S 11TH INTERNATIONAL CONFERENCE Goodbye, Oslo!**

Our 11th International Conference on Reputation, Brand, Identity & Competitiveness was held last month at BI (the Norwegian School of Management) in Oslo—and went off like a charm. Some 200 old and new friends from companies and business schools as far from Norway as Australia, Brazil, and 20 other countries joined us to share ideas about "Innovation as a Reputation Platform."

Across 8 plenary sessions and 20 breakouts, we got to hear fascinating presentations about ongoing research and practice from around the world. And the conversations they provoked could be overheard in the hallways of BI's beautiful new building, around the hotel bar, and on the decks of the Johanna during our rainy but fun (so I'm told since I was sick in bed!) Friday night cruise around Oslo Harbor.

During the conference, I also had the pleasure of presenting Reputation Institute's 2006 Award for "Most Respected Company" to Barilla's CEO, Gianluca Bolla. I was also privileged to welcome University of Michigan professor and author C.K. Prahalad and his wife. C.K. was there to receive Reputation Institute's 2007 "Best Scholar Award."

Our deepest thanks go to Peggy Simic Brønn and Brunjulf Tellefsen at BI for hosting the conference, to our lead conference sponsor, Telenor, and to our associate sponsors Apeland, Conecto, Gilde, MBT, and Tine. To the tireless RI admin team led by Adam, I say thank you for your dedication to detail! And to all those who participated in the conference, thanks for the intelligent contributions to our continuing dialogue.

I look forward to saying hello to you all on May 26, 2008 in Beijing, site of our 12th International Conference!



Charles Fombrun  
President & CEO,  
Reputation Institute

**RI Cases** is a series of selected company case studies that RI releases periodically. The series highlights companies facing reputational events or situations of interest.

**RI News** is an online newsletter of the latest happenings in Reputation Institute. Published quarterly, RI News provides access to event overviews, current initiatives, and new developments.



RI Award winner Gianluca Bolla (Barilla) and Charles Fombrun (Reputation Institute)



RI Award winner C.K. Prahalad (University of Michigan) and Charles Fombrun (Reputation Institute)



plenary session audience



Georg von Krogh (ETH Zurich) presents during a plenary session



Reputation Institute banner flying high at BI Norwegian School of Management