



REVIEW OF COMMUNICATION AND MEDIA STUDIES



VOLUME 1/NUMBER 1

FEBRUARY 2014

**A PUBLICATION OF THE
DEPARTMENT OF MASS COMMUNICATION,
RIVERS STATE UNIVERSITY OF SCIENCE
AND TECHNOLOGY, PORT HARCOURT**

RCMS...advancing knowledge through innovative research.

The Mass Media and the Reputation Paradigm in Corporate Governance

Uwem Akpan¹, Sunny Udeze,² and Julius Agwu³

Governance is as much an issue in Nigeria as it is globally, not least because corporate governance strongly correlates with economic development. Corporate governance – the prevailing patterns by which public power is exercised – has been undermined in Nigeria by corruption as well as lack of will and motivation on the part of political elites to exercise governance positively. Yet politicians desire reputation and strive to build and maintain such reputation in order to sustain their political careers. Therefore, this paper argues, using the reputation model, that the desire by political elites to maintain their reputation provides the motivation for them to act in the public good. They are also averse to the shame of being labeled anti-people, hence would intentionally engage in acts that promote good governance. The media can drive this motivation by focusing attention on the actions and inactions of the politicians. They can also drive corporate law reforms and the enforcement of corporate laws. With the aid of the Freedom of Information Act, the Fourth Estate can put enormous pressure on political actors to respect laws that drive corporate governance.

Keywords Advocacy* Corporate* Governance* Journalism

i

Introduction

The concept of governance is as old as mankind. It is an essential ingredient of order at any level of the society. There are divergent but related ideas on what constitutes governance. McQuail (2010) views governance as “the overall set of laws regulations, rules and conventions which serve the purposes of control in the general interest” (p.234). He explains that governance does not only refer to formal and binding rules, but also to numerous informal mechanisms towards the achievement of set objectives. Jenkins (2008) relates governance to public power by defining it “generally as the prevailing patterns by which public power is exercised in a given content” (p.516). Benkins (2012) views governance not as a one off activity, but a process: “The process of decision-making and the process by which decisions are implemented (or not implemented).” The BBC Media Action (2012) defines governance as “the processes and systems by which a government manages the resources of a society to address socio-economic and political changes.”

Central to the various definitions above are:

- Governance is based on rules (and conventions).
- It is geared towards the attainment of (pre-set) goals.
- It is a continuous activity (a process).
- Governance is concerned with the exercise of power within a given situation.
- It is directed at public good.

Hirst (2000) classifies governance into five categories corresponding to these fields: economic development, international institutions and regimes, corporate governance, new public management and network governance. These levels, depending on the context, can be subdivided into more categories such as political, economic, social etc.

The level and category notwithstanding, governance has key actors – those who are directly involved in the process of decision-making and others who cast some influence on the decision-makers. These actors include, but not limited to, government officials, particularly key actors in government as well as business executives. Hence, this article, addressing corporate governance, looks at both government and business officials as constituting those at the governance level. Put another way, corporate governance in this article refers to the processes by which government officials and business executives arrive at decision-making in the course of managing the resources of the polity or their organizations.

In managing these resources, government officials and business executives are often influenced by non institutional actors such as the mass media. Thus, this discourse holds that the mass

media, in their activities, do affect the way and manner that government and business actors discharge their governance functions. In particular, the article argues that these actors are wary of the kind of reputation that may result from their actions, and which will be disseminated by the media, and for this cause they are constrained to act in a way that will not cast them in bad light and distance them from the people on whose behalf they superintend over the activities of government or business. Media influence may not be open and direct, but intrinsic in media functions.

This article explores how those in governance positions are driven by their desire for positive reputation reflected in the mass media to act in a particular manner in the discharge of their governance functions. In this article, government officials, politicians and political actors are used interchangeably. Similarly, corporate executives and business executives are used synonymously.

ii

Theoretical Framework and Review

This work is founded on the Reputation Model articulated by Timothy Bresley and Prat Andrea. The model assumes that politicians and business executives desire reputation and reputation-building, hence they would strive to create a situation that portrays them as acting in the interest of the people, and avoid situations that could identify them as people unfriendly. Being identified as an enemy carries a cost, and Bresley and Prat (2001) describe this cost as “the personal disutility of a dent on the manager's public image... People dislike being singled out as 'bad' people” (p.117). Bresley and Prat further argue that if the pay off (incentive) for being friendly is large (attractive) enough and the disutility of being recognized as unfriendly is significant enough, even 'bad' politicians and corporate executives can be induced (motivated) to take the right action by their desire to mimic the good type and in so doing be recognized and accepted as people friendly. For example, bribe-taking immediately identifies a politician as corrupt because it is unacceptable. And if the pay off of being tagged corrupt is sufficiently negative, then the corrupt politician may strive to be corrupt-free. In the same vein, environmental pollution immediately identifies the polluter as a bad manager because it is unacceptable. This bad reputation, which could affect the manager personally as well as the fortunes of his organization vis-à-vis other competitors, could be sufficient to encourage the manager to be environment friendly.

The reputation model is founded on the assumption that information about a government official or business executive is revealed to the public. This is where the mass media come in. Bresley and Prat argue that the broader the media coverage of an issue, the more likely the public at large will access the information; and the more attention the media command, the more likely the information will be disseminated. The probability that outsiders would access what the political actors or business executive is doing or not doing, saying or not saying, encourages him to behave. According to Bresley and Prat (2001), the higher the diffusion of the press, the more likely the people (politicians and corporate executives) will think about reputation not being damaged” (p.118).

Media attention can drive good governance. The likely incentive for it is the politician's belief that the contrary would hurt his future political career or embarrass him before the public.

Pillars of Good Governance

Many scholars have given different explanations of what good governance is. Desai and Potter (2008) describe good governance as the “sound management of a country's economic and social resources for development” (p.499). And in explaining the word 'sound', Desai and Potter (2008), define it as a “range of management techniques that are believed to work well within a standardized democratic model” (p.499). Jenkins (2008) sees good governance as “any mode of public decision making that helps to advance human welfare, *however conceived* (p.516). For the BBC Media Action (2012), good governance:

Describes how public institutions conduct public affairs and manage public resources in order to guarantee the

realisation of human rights. It is about how citizens, leaders and public institutions relate to each other in order to make change happen.

The definitions above imply that good governance is about managing resources for the well being of the people. However, what constitutes the well being of the people could vary greatly, depending on the social, political, economic and cultural circumstances.

Three aspects of the society tend to affect the nature of governance. These are: types of political regime; the process by which authority is exercised in the management of the economic and social resources, with a view to development; and capacity of governments to formulate policies and have them effectively implemented.

Hussain (2009) and UNESCAP (2009) identify seven pillars of good governance: transparency, participation, accountability, stability, predictability, legitimacy and ethical conduct.

1. **Legitimacy:** This is grounded on the rule of law, respect for traditions and credibility with key stake/shareholders who freely consent to the authority of the governing body. Those in positions of governance must derive their just powers from the consent of the governed.
2. **Participation:** This is also seen as the engagement or involvement of electors and stakeholders on the process of governance. Participation allows the authorities to obtain reliable information, serves as a reality check and watchdog, and provides feedback necessary for access to, and quality of, services.
3. **Transparency:** Transparency requires timely access of stakeholders to relevant, reliable information about finances, products or services, management of resources and decision processes.
4. **Predictability:** This looks at the conduct of officials based on existing laws and regulations, such that their likely actions are known in advance. This engenders confidence and public trust in the stewardship of public officials.
5. **Accountability:** This is the ability and willingness of the governed to call persons in authority to account for their actions. Accountability requires periodic answering to questions by an official regarding his actions as well as rewarding the officials positively or negatively consequent upon his actions.
6. **Ethical conduct:** This demands and includes respect, honesty, openness, integrity, trustworthiness and fairness in all interaction, commitment to the spirit as well as the letter of laws, rules, regulations norms and traditions, service to the benefit of primary beneficiaries.
7. **Stability:** This pillar is concerned with the faithful exercise of duty with diligence which in turn commands the loyalty of stakeholders such that the system is not unduly heated to warrant illegal disruption in the running of the system or the unconstitutional and abrupt change of power.

Indicators of Good Governance

By indicators of good governance, we mean the realities on ground that point to good governance. The BBC Media Action (2012) identifies these realities to include, but not limited to:

- i) Safety of lives and property, both personal safety and national security.
- ii) Rule of law, a situation in which there are due judicial processes, judicial independence, accountability and sanctions for erring officials.
- iii) Participation in electoral processes, rights-freedom of expression, press and association; gender participation in politics and labor force.
- iv) Sustainable economic opportunity finds expression in sound economic management, private sector partnership infrastructure development and environment and rural sector.
- v) Human development which is evidenced in poverty reduction, promotion of good health and sound education.

The BBC Media Action (2012) summarizes good governance thus:

Good governance is key to development. For there to be development, there must be good and qualitative leadership that is transparent, accountable and predictable.

This kind of leadership must also ensure effective participation of its citizenry and be stable in its economic policies. The citizens are not left out. They must fulfill their responsibility by holding their government to account, and fulfill their obligations to the state.

The attainment of the above could be fast-tracked if the mass media disseminate the actions, inactions, attitudes and utterances of decision-makers to as large an audience as possible. This can act as a pay-off to the decision-makers to act responsibly, transparently and diligently for the good of those in whose trust they hold such positions.

iii

The Mass Media, Reputation and Good Governance

Although the mass media do not participate directly in the decision making process in government or corporate organizations, they do, through their contents, affect the disposition or indisposition of an official towards a particular issue. The media do not vote in elections; they do not sit on the boards of corporate citizens, but they do shape public policy by playing the role of a lever. This position is corroborated by Dyck and Zingales (2002):

People obtain much of their information from the media, which play an important part in selecting which pieces of information to communicate to the public and in adding credibility to information provided through other sources. By selectively reducing agents' cost of collecting and evaluating information, the media play a major role in shaping the creation and accumulation of reputation (p.109).

The media affect governance by affecting reputation in at least three ways, according to Dyck and Zingales (2002):

First, media attention can drive politicians to introduce corporate law reforms or enforce corporate laws in the belief that inaction would hurt their future political careers or shame them in the eyes of public opinion, both at home and abroad.

Second, media attention could affect reputation through the standard channel that most economic models emphasize.

Third... media attention affects managers in the eyes of their employers and their reputation in the eyes of the society at large (p.109).

By affecting the reputation of decision makers, the media pressure them to behave according to societal norms. In particular, disclosure of information brings pressure on officials.

The mass media do act as a corrective mechanism against misgovernance, both in the short- and long-run. While media reports about misgovernance can cause a tremor, and consequent corrective action in the short-run, they do, in the long-run, cause earthquakes that throw up cans of worms that cannot be swept under the carpet, that only corrective steps by the officials concerned can pacify the stakeholders. When mass media reporting of misgovernance plasters shame on the faces of the affected officials, it pushes such persons who care for their reputation to take steps to improve governance.

It need be emphasized that media reporting of misgovernance does not at all times lead to corrective action. Yet, consistency of reports, in addition to the publicity given the situation, does generate a groundswell of public opinion that may eventually make corrective action inevitable.

Sometimes, the rules of operations may not be very clear, with such lacuna giving the politician or the corporate executive the opportunity or excuse to wheel and deal. Persistent press questioning, consistent media probe and unceasing vociferous public opinion can cause a second look at the existing laws with a view to plugging the loopholes. Without doubt, publicity directed at an abnormality produces self-regulation and encourages the imposition of sanctions to the offenders. When the mass media, accept standards, others do. Reports of non compliance would lead to widespread and unreserved condemnation of the decision makers involved. The frequency and nature of media searchlight on a particular issue(s) are of utmost importance to the official who is mindful of his integrity.

Besley and Prat (2001) believe that the prestige of a mass media does affect corporate behaviour:

The media affect corporate behaviour by reducing the cost of collecting and certifying relevant information. The more authoritative and diffused a publication is, the more influential it will be, because it would be better able to affect the reputation of the parties involved (p.115).

For the media to further affect governance, it is important that the populace demonstrate sufficient interest in the issues being canvassed in and by the media. Where audience interest is low or non-existent, and where the audience treats issues bordering on misgovernance as inconsequential, the offending political actor or business executive sees that as an incentive to continue with acts of misgovernance, knowing that no one would hold him accountable. This seems to explain why the fight against corruption in Nigeria is not bearing as much fruit as would be expected. Corruption in Nigeria is endemic, and it is taken as the rule rather than the exception; hence, public interest in corruption cases or misgovernance is not as strong in Nigeria as in Western countries.

Audience interest is crucial to the media's sustained interest in exposing scandals. Public interest is a form of pressure on the media to expose acts of misgovernance. Therefore, the audience should be critical, not docile, not pliant, not passive but active.

The preceding point assumes, and reasonably so, that the mass media are not encumbered in the process of discharging their functions. If they are encumbered or captured, then they would have been incapacitated to be the whistle-blower when things appear to go wrong. It is necessary to emphasise that the active participation of the audience as senders and receivers of information hinges on access to the media. If a medium is unable to publish seemingly critical ideas, of what use is the active participation of the audience?

Assuming that the above scenario is the reality in a given situation, the answer lies in diversity, not necessarily plurality, of the media. Diversity would offer media channels that are not just diverse in name, but in ownership, orientation and philosophy that can similarly give a voice to diverse the audience members. The more diverse the media channels, the more diverse opinions, including those on misgovernance, would be. Diverse channels would provide options for access and would very likely make the media cheap and affordable to audience members, which would in turn stimulate the audience to be active media participants, both as senders and receivers.

iv

Conclusion

This central theme of this discourse was that the desire of political actors or business executives to build, maintain and sustain their reputation (which is essential to their careers), provides the incentive to them to act in a manner that would promote governance. The pay-off is further raised when the officials realize that their misdeeds would be disseminated by the media to as large an audience as possible. The cost of being identified as people unfriendly is an enormous price many politicians and corporate executives are not willing to bear.

In view of the above, the media, not fettered by a capture, and with the aid of the Freedom of Information Act, can raise the bars of good governance by exposing scandals and encouraging decision makers to be transparent, accountable, responsive, effective and efficient the very pillars of good governance.

References

- BBC Media Action (2012). *The message project. A thematic and technical training manual for message project participants.*
- Bresley, T. & Andrea, P. (2001). *Handcuffs for the grabbing hand? Media capture and government accountability.* London School of Economics and Political Science, London.
- Dyck, A. & Luigi, Z. (2002). The corporate governance role of the media. In: World Bank (ed.). *The Right to Tell: The role of mass media in economic development.* Washington D. C.: The World Bank (pp. 107-137).
- Hirst, P. (2000). Democracy and governance. In: Pierre, J. (ed.). *Debating governance.* Oxford: Oxford University Press.
- Hussain, I. (2009). *Seven pillars of democratic governance.* Retrieved: <http://www.charityvillage.com/cv/research/rbod41.html>. April 1, 2012.
- Jenkins, R. (2008). *The emergence of the governance agenda: Sovereignty, neoliberal bias and the politics of international development.* In: Vandana, Desai and Robert Potter (eds.). *The companion to development studies* (2nd ed.). London: Hodder Education (pp. 516-519).
- McQuail, D. (2010). *McQuail's communication theory.* London: Sage Publications.
- UNESCAP (2009) *What is good governance? Retrieved:* http://en.wikipedia.org/wiki/Good_governance. April 1, 2012.
- Vandana, D. & Robert, P. (2008). Governance and development. In: Vandana, Desai and Robert Potter (eds.). *The companion to development studies* (2nd ed.) London: Hodder Education (pp. 499-501).