

## PAMPHLET 83

### A FEW BAD APPLES

By  
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It was just a few bad apples.

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Reporter Jacques Steinberg wrote an article in the New York Times on October 25, 2004 with the headline: *Newspapers Try to Strengthen Credibility of Their Numbers*. The story told of major newspapers that had inflated the circulation numbers that drive advertising rates and industry prestige.

Paul Ginochio, a senior publishing analyst at Deutsche Bank, said he felt reassured not only by the new checks and balances that newspapers instituted but also by the fact that the number of papers that have acknowledged circulation fraud has stood at four. Mr. Ginochio said: "It looks like it was just a few bad apples."

With all due respect Mr. Ginochio, you are one naïve analyst.

It was the fall of 1975 and my introduction to newspaper circulation fraud.

I delivered adult newspaper routes for the Star Tribune newspaper in Minneapolis, Minnesota for six months. One day my circulation district sales manager told me that my paper count would increase by 50 papers every day for a few weeks. He said I should not worry about the extra papers because he would write me credit for the cost of the newspapers. He said, "Just throw the extra papers in a dumpster." Later he stopped at my house and gave me a bunch of carrier gifts and said they were extras.

I became a member of the Circulation Department some months later and for two years was a district sales manager responsible for the sales, service, and collections of a circulation district. I soon

discovered that the organization was far different than my first job as a U.S. Secret Service Agent where values mattered. In my new job, values were an inconvenience. I wanted to quit but needed a job. I decided to stay, remain true to my values, and do all I could to change this ethically empty organization.

The fall sales campaign began a few months after I started my new job. I had a great time with my first 12-week campaign. We had sales goals with cash payments if you made your goals and trips for the top sellers. I organized the kids on my district, coordinated with outside independent sales crews, used the company telemarketing force, and worked a few nights a week to sell new subscriptions. I grew close to my core crew of six-eight 11-12 year old kids, and we drove ourselves to achieve our goals and to win me a trip offered to the top 14 salespersons. We did well, and as the weeks went by we were one of the top districts.

I was warned by other district sales managers to not work so hard because in the final weeks of the campaign the district sales managers would begin to turn in massive numbers of “no good” orders. I would just end up disappointed and disillusioned.

Many dishonest tactics were utilized. For example: The policy was to try to call new subscribers to verify the order. If no one answered the telephone after three calls the order was started. Ingenious managers wrote phony orders and used the telephone numbers from phone booths.

Others managers, like mine, increased the number of papers carriers received. Carriers would throw the papers away, and the district managers would write them credit for the papers after the sales campaign was over. At least two levels of supervision signed off on these cash payments and senior executives saw the blips in their budgets. Everything was approved. My father spent 42 years in the newspaper circulation business. He told me similar stories going back to the 1930's.

I refused to engage in this activity and, as predicted, others leaped forward in the competition at the end of the sales campaign. Fourteen people won trips. All cheated, I was told. I did not cheat and finished fifteenth. I was ridiculed by some for trying. How much good circulation was lost because other honest people did not try to produce in this corrupted culture?

My district gained real circulation that produced revenue for the company. My sales crew and I felt proud of our work. I ended up

with a trip to Disneyworld when another manager could not go. Those who cheated the most and the best went to the Bahamas. The “best of the best” were promoted.

I shook my head in disbelief. The newspaper spent unknown thousands of dollars to write and process thousands of bad orders and later paid unknown thousands of dollars to clean up the mess. All this money and effort for phony circulation gains then used to justify rate increases for advertisers who paid for non-existent circulation. What might they have achieved had they used that money AND energy to grow genuine circulation?

This culture was not unique to the Star Tribune. It was an industry dynamic. How many millions/billions of dollars have been wasted over the decades on such garbage to create false numbers used to bilk advertisers of millions/billions more? When in the U.S. Secret Service I put “heroes” like these in jail for years. And, of course, corruption permeated the other activities of the organization: theft, phony overtime, and false expense accounts among other things.

I knew the despair of lives lived unethically—as a recovering alcoholic who lived contrary to his values when drinking and as a Secret Service Agent who saw what corruption did to others. I was committed to a value-driven life.

In 1982 I was given responsibility for the carries sales effort. This was my opportunity to do something about the continued corruption. We trained managers and young people to sell, we set achievable yet challenging goals, and we had fun sales meetings planned by the sales managers. Each supervisor and district sales manager wrote a sales plan, we held to our goals when people complained they were too difficult, we held people accountable for making their goals, and we disciplined and fired cheaters.

One manager solicited scores of new orders in a new high-rise apartment building. He sent the carrier payment to his girlfriend who endorsed the check over to him. He deposited the check in his account at the company credit union. We tracked him every step of the way and fired him. Another district sales manager received a two week suspension when a curious man picked up a phone ringing in a telephone booth.

At the end of 2 ½ years we increased net sales by 250% per year. “No good” orders decreased by 95%. Customer incentives (free offers to customers) decreased by 50%. Incentives to carriers

decreased by hundreds of thousands of dollars a year. We grew circulation, we had fun, and people felt proud of themselves.

Simple isn't it? A value driven approach to leadership with an emphasis on responsibility and excellence works at every level of management in every industry. We feel "alive" when guided by high standards as we strive to reach big goals. We feel guilty, ashamed, and cynical about ourselves and our organization when corruption is our model.

I left the newspaper industry in 1994 after almost 18 years during which I received nine promotions. The corporate CEO said I had changed the company forever through my leadership. For all those years I fought daily for honesty and integrity—at every level of management. I could tell many stories. I was weary. I wanted to see what life would be like when I didn't have to fight to be an honest man. Like my dad before me, I left with my integrity intact.

Mr. Steinberg wrote that one of the reforms instituted by newspapers requires senior executives to sign their names to the circulation figures they report each quarter. I don't think new legislation will change much. Dishonesty and corruption in business—across all industries—reflect a lack of integrity and character. These people already break the rules. Will more rules stop them?

The tactics of dishonest people evolve and grow more sophisticated over the years—corrupt people and corrupt cultures remain the same. I know the history of the newspaper industry, its long pattern of circulation decline, and today's corporate environment. I cannot believe that the newspaper industry has only a "few bad apples." I suggest responsible executives dig a little deeper into the cultures they create, collude with, and preside over—cultures they can change.

Employees in all industries bear responsibility for their actions. Business ethics are personal ethics learned at an early age. My experiences taught me that we all can say "No" to unethical behavior AND can achieve true and significant business results through value driven leadership and hard work.

John Gardner wrote that we live in a time of widespread decline of our organizations and institutions. When old ways no longer work we work harder, run faster and faster, focus on the short term, and, finally, lie, cheat, and steal--whatever gives the appearance of success.

We need new visions and leaders selected first for character. We cannot design or legislate our way out of decline. Renewal will be led by courageous men and women who can cope with the future as it unfolds without forgetting the continuities in our values and our longer-term aspirations as evolving people.