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Case study on Communication Barriers: Ethical Issues

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ABSTRACT

The telecom giant Vodafone Idea had been in troubled waters in the recent past, with its long term viability in jeopardy. In November 2019, at a press conference, Vodafone CEO Nick Read said that Vodafone India's future was precarious owing to the bludgeoning of taxes and penalties by the government. It was ironical that this statement was made, a day before the Prime Minister stated that India was a land of rapid growth with a plethora of investment opportunities. Subsequently, Vodafone India reported a loss of over 500,000 million, the very next day, one of India's largest corporate losses ever for Q2. With an already prevailing slump in telecom industry, such a statement could have led to mistrust among the employees, stakeholders, investors, etc. Later, he apologised for the apprehensions caused due to, what he termed - out-of-context reporting. He further added that he was merely reiterating the general opinion but the outrage was already committed. This episode threw light on the repercussions of tactless communication, regardless of the accuracy and truthfulness of the information. Should Nick Read have refrained from making such statements on a global platform or is honesty always the best policy?

Keywords: Business Communication, Business Ethics, out-of-context reporting, tactless communication, investment-friendly, tone and tenor

1. INTRODUCTION

One of the largest telecommunication companies in the world, Vodafone was a UK based mobile and broadband service provider. In terms of quantum of customers, it was one of the largest telecoms in the world with more than 210 million connections across 22 telecom circles. The birth of Vodafone in 1982, was a result of merger between Racal Strategic Radio, a military radio technology company, and Millicom.

The inception of Vodafone in India happened in 2007 when it acquired a 67% stake from Hutchinson at a time when the latter had garnered a lot of praise for its innovative advertisement campaigns. Vodafone's India entry was marred by a \$2.5 billion tax dispute with Government of India. However, the Supreme Court adjudged it unjust, owing to the fact that the transaction had happened overseas and not in India.

The Indian telecom landscape, until 2016, had a plethora of players with as many as 10 telecom companies vying to tap the enormous potential in the country. However, genesis of the puissant Jio destroyed hopes and dreams of most of them. As a strategic response to the onslaught, Vodafone merged with Aditya Birla's Idea to form Vodafone Idea Ltd. (VIL) (Exhibit I). The merger marked the formation of an entity that would be the biggest telecom operator by obtaining around 35% of the market share. The then Vodafone CEO designate and Chief Financial Officer, Read (Exhibit II), expressed his pleasure about the merger and said, 'We are happy to receive the letter.' He also added that Vodafone Idea would remain competitive in the telecom sector. Sharing his plans post merger, Read said, 'We have always been a strong investor in India. We will remain that.' He was eventually appointed CEO of Vodafone on October 01st 2018.

Exhibit I



Vodafone and Idea Merger

Exhibit II



Nick Read, Global CEO – Vodafone

Only the two big stalwarts, VIL and Bharti Airtel, apart from the state run BSNL and MTNL were able to sustain the turbulence caused by Jio's disruption. Despite outliving the scare, VIL found it difficult to continue, owing to the ineffable tariff war triggered by Jio. In its 2017-18 annual report, VIL reported 'a decline of 20.2 % in its total revenues over the previous year (FY17) on a consolidated basis.' Further, they had witnessed a loss of more than 60 million subscribers between September 2018 and August 2019.

In October 2019, the Supreme Court had instructed the Government of India to recover Adjusted Gross Revue (AGR) from the telecom operators with VIL estimated to have owed more than 500,000 million. Vodafone, along with Airtel, requested the Court to review the verdict. In a report to the Government, the companies said that they '...may need to resort to another round of large equity raise to fund these payouts.'

'It was rather ironical that Prime Minister Narendra Modi declared at a BRICS summit at Brasilia that India was the world's most open and investment-friendly economy on the day after Vodafone CEO, Read, [1] told a press conference that Vodafone India's future was in jeopardy unless there was a stop to hitting the firm with taxes and penalties.' He was said to have further added 'If you're not a going concern, you're moving into a liquidation scenario – can't get any clearer than that.' He further added that he was just echoing the sentiments about VIL that the streets were already rife with.

He also added, 'Financially there's been a heavy burden through unsupportive regulation, excessive taxes and on top of that we got the negative Supreme Court decision.' VIL also had requested the Government to grant a relief package comprising of relaxations like moratorium, discounts on license fees and taxes, lest 'It's fair to say it's a very critical situation.'

A staggering loss of over ₹500, 000 million in the second quarter of FY19 was reported the following day by VIL, touted as the largest corporate loss ever in the history of a second quarter of a financial year. For a company that was already grappling with critical financial stress, a loss of that magnitude could further cripple Vodafone's interests in India, in particular and the telecom landscape, in general.

The Government of India, irked by Read's statement, expressed grave displeasure over the 'tone and tenor' of his comments. Union Telecom Minister, Ravi Shankar Prasad, showed his dissent over Read's critical comments about the regulatory framework of India to Idea Chairman, Kumar Mangalam Birla. Read followed it up with an apology but also felt that he was 'misinterpreted', 'misunderstood' and termed it 'out-of-context reporting.' 'The coverage in India has been distorted and I apologise for the impression that the coverage conveys. It doesn't accurately represent my comments, Read said in a letter to the Prime Minister, telecom minister Ravi Shankar Prasad and senior government officials.

In an attempt to further undo the damage, Read wrote 'I would like to express my gratitude to the Indian government for designing a relief package in the light of the recent AGR (Adjusted Gross Revenue) judgement and the financial stress the telecom industry is undergoing.' Read also said that the UK based company was eager to continue deliberations with the government and added, 'We remain invested in India growth story and it continues to remain a key market for us.'

The question loomed large – Could an apology, individually or collectively, alleviate the damage done? Do you think Read's statements were in the right direction for the company and stakeholders? Or was it just a thoughtless remark? Was honesty always the best policy?

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