

What can Sony and Apple learn from the British MP Expense Scandal

My friend and co-author Henrich Greve recently made a blog post regarding the advantages of high status. He was wondering why every little bit of news about Sony or Apple made big waves in the media space and his conclusion was that this happened because both were high status companies.

High status essentially means that the companies are thought of as leaders in their industries and whatever they do attracts a lot of attention. High status brings lots of positive things: customers buy your products and they think your products are of high quality, even if this is not always the case.



Status has a dark side too. Remember the discussions about student labor in the assembly plants of Apple's supplier Foxconn? That generated a lot of negative publicity not only for Apple but also for Foxconn. When French Tax Collector-In Chief—Jerome Cahuzac—was caught with undeclared Swiss bank account, everyone took notice and even the approval of his close ally—French President Francois Hollande took a dive. Essentially, high status means that falls from grace will be observed by a lot of people.

In a recent study Jonathan Bundy, Joseph F. Porac, James B. Wade and Dennis P. Quinn found that high status British MPs were not more likely than low status MPs to cheat in their expense claims. However, high status MPs were more likely to be targeted by media and other stakeholders with shaming after the false claims were discovered. Thus, more high status MPs had to quit parliament as compared to lower status MPs.

What lessons does this study have for high status firms like Apple or Sony? You are being watched, so don't slip, because if you do, you will crash spectacularly.

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