

## Deutsche Bahn CEO's Exit Harks Back to Hewlett-Packard Scandal

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By Nadja Brandt and Connie Guglielmo



March 31 (Bloomberg) -- [Deutsche Bahn AG](#) Chief Executive Officer [Hartmut Mehdorn](#), who for years pursued an initial public offering of Germany's state-owned railway, quit over an internal probe that included secret monitoring of employees' e-mail.

The company has said it screened data relating to 173,000 workers in 2002 and 2003 as part of an anti-corruption investigation. Members of Deutsche Bahn's supervisory board said March 27 that the company was looking for possible ties between workers critical of its policies and journalists or lawmakers.

Deutsche Bahn is facing a challenge similar to the one [Hewlett-Packard Co.](#) confronted in 2006, when the world's largest personal-computer maker was at the center of a spying controversy. Hewlett-Packard, based in Palo Alto, California, authorized a probe aimed at tracking down the source of boardroom leaks to the media.

"As with H-P, there is an understandable and legitimate desire to protect confidential proprietary information," said [James Post](#), a professor of corporate governance and business ethics at [Boston University School of Management](#). "But that cannot allow a company to step across the line of personal privacy."

The global recession is putting more pressure on executives to perform, increasing the chances for ethical breaches as companies focus on survival, said Patricia Harned, president of the [Ethics Resource Center](#) in Washington.

Deutsche Bahn said yesterday that profit fell 23 percent to 1.32 billion euros (\$1.74 billion) last year as it incurred higher costs from taxes and increased pay for workers. The company had planned to sell shares of its train-operating unit to the public to increase the railway's capital. The sale was called off by Chancellor [Angela Merkel](#)'s ruling coalition because of the financial crisis.

'Take Responsibility'

Mehdorn told reporters in Berlin that he would “take responsibility for all actions” at Deutsche Bahn, although reviews by accounting firm KPMG and outside investigators have shown “no legal violations.” He said he offered his resignation, which the government accepted, and expects a successor to be named this year.

In 2006, investigators hired by Hewlett-Packard spied on directors, two employees and nine reporters, digging through trash, doing background checks and using fake identities to gain access to personal phone records.

Chief Executive Officer [Mark Hurd](#) was called to Washington to explain the company’s tactics to a U.S. House committee and said his failure to supervise the investigators’ actions was “not my finest hour.” As a result of the spying scandal, Hewlett-Packard Chairman [Patricia Dunn](#) and General Counsel [Ann Baskins](#) resigned, along with the company’s director of ethics and global security chief.

“It’s no wonder that the government accepted Mehdorn’s resignation,” said Boston University’s Post. “In Germany, as in the U.S., the tolerance for corporate arrogance is fading fast.”

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