

Rupert Murdoch doesn't know where the buck stops – do you?

SmartCompany Editor James Thomson 20 July 2011

Like many people in the *SmartCompany* office this morning, I must confess to being a bit bleary-eyed after staying up well past my bedtime to listen to Rupert and James Murdoch appear before a British Parliamentary inquiring into phone hacking by News Corporation's publications.

It was fascinating to watch and not just because of the right cross Rupert's wife Wendi Murdoch delivered to a comedian who disrupted proceedings by throwing a plate of foam at Rupert.

What was most interesting was the way Murdoch presented himself. He continually alluded to his age and his holes in his memory – frankly he looked every bit of his 80 years.

His repeatedly expressed contrition and bewilderment at the scale of the hacking.

He said he didn't even know that key lieutenant Rebekah Brooks had admitted to using private investigators to gather news way back in 2003. He didn't know that son James Murdoch had authorised settlements with hacking victims back in 2009. And he didn't know *News of the World* had hacked a murder victim's phone until the last two weeks.

If we take Murdoch at face value, the failure of News Corp executives to pass on news of these scandals to the company's chief executive would appear to be a huge failing of corporate governance – something surely Murdoch must be responsible for.

But last night, Murdoch pointedly refused to take responsibility, saying that responsibility rested with "the people I trusted... and then, maybe, the people they trusted."

When asked if he would resign, Murdoch again used the idea of a chain of responsibility to defend himself.

"I feel that people I trusted, I'm not saying who, I don't know on what level, have let me down and I think they behaved disgracefully, betrayed the company and me and it's for them to pay."

Whether Rupert Murdoch can get away with sheeting the blame home to unnamed executives at unnamed levels of the business remains to be seen. As **Robert Gottliebsen argues today**, the whole circus leaves you with the impression the Rupert Murdoch era is over.

Following last night's hearings, where Rupert, James and Brooks all claimed to have been kept in the dark over key elements on of this hacking scandal over the last three-to-five years, surely questions must be asked about News Corp's governance procedures and particularly the way it detects, investigates and deals with unethical behaviour.

But it's not just News Corp that should answer these questions – SME company owners and managers would do well to sit down and figure out how problems are dealt with in their company.

These governance questions would include:

- What processes are in place for detecting unethical behaviour? Is there an anonymous phone line or an established process for staff to make reports?
- How are complaints acted on? Is there an established complaints-handling process?
- Which managers are given the responsibility for deciding the seriousness of complaints and therefore the level of manager that needs to be informed?
- How is the CEO and board kept informed of serious complaints?
- How are the outcomes of serious complaints made known to the organisation?

Being able to answer these questions is as important in a small company as it is in a large business like News Corp.

Most SME entrepreneurs I know understand that the buck always stops at the top – problems are always the CEOs responsibility, regardless of who actually created the problem.

And when the buck stops at the top, leaders better have a way of ensuring that problems can be quickly and appropriately dealt with.

Because when things go wrong and directors and investors start asking questions, you'd better have some clearer answers than Rupert did.

http://www.smartcompany.com.au/entrepreneur-watch/20110720-rupert-murdoch-doesn-t-know-where-the-buck-stops-do-you.html?utm_source=SmartCompany&utm_campaign=713ec14368-Wednesday_20_July_2011&utm_medium=email