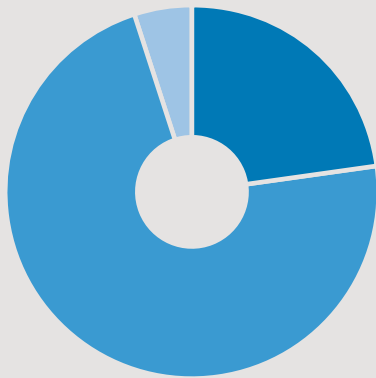




The blame game

Who in a company should bear the ultimate responsibility for reputational damage caused by mismanagement?



23%: the chief executive

72%: the board

5%: the chairman

With the very public furore over the murky dealings of certain media firms now dying down a little, we asked the *Chartered Secretary/CSS* survey group for its views on reputational risk and responsibility at the top, in light of recent events.

There was a feeling amongst the group that responsibility for a company's actions lies with the whole board, rather than with any one of its individual members. When asked who should bear ultimate responsibility for reputational damage caused by mismanagement, 72 per cent said the board should be responsible, 23 per cent thought the chief executive and only 5 per cent thought the chairman. One respondent commented that, 'one single person should

not be solely responsible for material mismanagement ... board members are obliged/expected to demonstrate an interest in the wider aspects of the organisation ... and should consequently be able to spot when a particular issue may lead to problems.'

In terms of how aware chief executives can be of all material aspects of the business which they head, 57 per cent thought it was their responsibility to be fully aware of everything taking place in the business, while 43 per cent thought that this is simply not possible; an interesting divide. One survey member, however, was adamant, stating that, 'turning a blind eye is not an option.' Another felt that the size of the organisation was a critical factor, commenting that, 'in general, it is easier to be aware of what is going on in a smaller organisation that operates from only a few locations. Bigger means less control, more people, more locations and more rules-based governance. Sometimes an action can be legal but unethical; a rules-based system would not necessarily pick that up.'

Bearing in mind the feeling amongst the significant minority that it is difficult for one person to be fully aware of everything

that is taking place in a business, we asked if a member of senior management should always be held responsible for the actions of a company, even if they had no knowledge of the mismanagement in question. The majority (62 per cent) felt that this person, regardless of how much they knew of the matter, was the responsible officer and therefore should be held responsible. Only 28 per cent felt that there might be extenuating circumstances in which this would not be the case.

In terms of the responsibility of individual employees, 80 per cent agreed that it is never acceptable for an employee to knowingly not report a material development to their superiors. Only 14 per cent thought that there may be certain circumstances in which this could be acceptable. There is also the question of shareholder stewardship when issues such as this arise. When asked if shareholders play an effective role in the supervision of a company's internal controls, only 10 per cent stated that they are an essential part, 35 per cent thought that they might have a small effect, and 55 per cent felt they did not play an active role. Some respondents did comment that the Stewardship Code may change this over time.



Conducted in association with Company Secretarial Services

If you're a company secretary of a leading UK business, and you'd like to take part in or comment on future surveys, e-mail Caroline Evans at cje@blt.co.uk.