

WHOSE HEADS SHOULD ROLL? - MAKING SENSE OF ACCOUNTABILITY

An Article by Caroline Oliver

Nothing reveals our confusion about leaders' accountability like a major crisis such as the one that has hit News Corporation. When things go very wrong and the question of whose head or heads should roll comes up, we have no clear answers. In other words we just don't know who we should hold accountable for what. In the case of phone-hacking at News Corporation the accusatory finger has moved from pointing to "one rogue reporter" through the Chief Executive of the newspaper concerned, to the chairman of the entire group. Latterly there has even been mention of the board and particularly the non-executive directors.

Taking another example – that of a hospital - at what point does something going wrong for a patient mean that an individual carer should be fired, or their manager, or their manager's chief executive or the chief executive's board or the board's chair? And, if we don't have the answers to these questions – which we don't – do we not have to confess that our accountability systems are hopelessly confused and confusing and therefore that we really don't have accountability systems at all?

The fact that we do not know how to hold each other accountable should alarm us. For what it means is that our ability to prevent organisations from spinning out of control is far less than we care to admit. It also means that our ability to get our organisations back on track when things do go wrong is severely compromised. How can we fix problems for the future if we cannot pinpoint where things have gone wrong in terms of accountability? And, in the absence of a proper approach to accountability, how can we see that real justice is done - if and when heads are rolled?

Accountability and Knowledge

Establishing leaders' accountability, for any kind of wrong-doing, from a clearly illegal act to the smallest mistake, requires asking not "who knew what, and when" but "who was accountable for what, and when?" Let me explain.

Asking "who knew what and when" assumes that knowledge is a prerequisite for accountability. However, knowledge is not a prerequisite for accountability. Ignorance of the law does not free us from accountability for acting lawfully. If we commit or aid or abet a crime, we are accountable for the criminal act whether or not we knew it was against the law.

Similarly, ignorance of the behaviour of our subordinates does not free us from accountability for their actions. If our subordinate makes any kind of mistake we are accountable for that mistake, whether or not we knew of it.

Going further we have to face the fact that knowledge *cannot* be a prerequisite for accountability. I say this because, if we are honest, we have to recognise that the greater the span of authority, the more impossible it becomes for the person with that authority to know everything about everything that falls within it. So, what sane CEO or board member could assume their role if doing so obliged them to know about everything about all they were accountable for?

This leaves us with a major problem. Proper ownership control cannot be exercised over our organisations without accountability. Yet, how can it be either meaningful or right to hold boards, chairs, CEO's or anyone accountable for things of which they have no knowledge?

It Doesn't Have to Be This Way

The answer I believe is that instead of holding organisational leaders (board members, CEO's and chairs) accountable for their knowledge of everything they are accountable for, we need to hold them accountable for playing their proper roles in relation to everything they are accountable for within an accountability *system*.

When Rupert Murdoch was asked by the UK House of Commons Select Committee on Culture, Media and Sport on 19th July, if he was responsible for what had gone wrong he referred to being let down by "the people that I trusted and then, maybe the people they trusted." Apart from leaving out all the people who have trusted him who now feel let down, this comment also highlights a reliance on people and trust rather than robust systems. Similarly it is noticeable how the current furore has been far more focused on examining individuals and individual actions rather than the company and its systems. It seemed a long time after the scandal first broke that mention was made of the board, or what policies the company does or does not have, and most importantly of all, how those policies are or are not being systematically tracked.

I believe that the time has come for us to take a systematic approach to making accountability real. Quality control systems in many industrial processes ensure that problems can be traced back to their source quickly and accurately. Similarly, the systems that help us organise our lives – from calendars to personal banking – allow us to pinpoint

the cause of breakdowns in the relevant aspects of our social and financial affairs. Why can we not have systems for organising accountabilities within a company?

Being Practical

As someone who works primarily on helping boards establish accountability systems I often find myself in dialogue with people who take the view that a “pragmatic” approach is best. The implication seems to be that making individual responses to individual organisational issues as they arise is the more practical way to go. Clearly this is indeed the more practical way to go - if the word “practical” is taken to mean easy to implement. Individual responses are certainly easy to implement as they require no forethought or preparation beyond what each person believes is needed to address each issue.

However, if practical equates to effective then I would suggest that a systematic approach is far more practical in the long-run for several reasons. First, because a systematic approach requires starting from fundamental principles, a greater numbers of issues can be handled in a more consistent and therefore efficient manner. Second, again because a system has to be founded in principles, taking a systematic approach means that more issues can be dealt with in a more proactive and thoughtful manner. Third, because a systematic approach does not entirely rely upon individuals, there is more chance that individual self-interest will be transcended for the greater good.

Surely a good company should have systems in place that do not leave the company entirely at the mercy of individuals. And, surely, the fact that a system may require installation and maintenance should not be the determining factor in whether or not it gets used.

Creating an Accountability System

Creating an accountability system involves clarifying who is accountable for what. The Policy Governance® system is a good example¹ and provides useful distinctions for this purpose:

Board members are accountable to owners² for:

- i. Having a clear accountability connection with them.

- ii. Having a comprehensive set of written policies that wisely translate owners' best interests into expectations of what their organisation is to achieve and what it is to avoid.
- iii. Regularly and rigorously holding their delegates to account for providing evidenced adherence to a reasonable interpretation of their policies.

Chairs are accountable to the board for:

- i. Ensuring the board acts in accordance with its policies for the operation of the board.
- ii. Providing evidenced assurance of the above as required.

Chief Executives are accountable to the board for:

- i. Ensuring the organisation acts in accordance with the board's policies for the operation of the organisation.
- ii. Providing evidenced assurance of the above as required.

Other Staff are accountable to their managers for:

- i. Ensuring their sphere of operation operates in accordance with the policies pertaining to their job.
- ii. Providing evidenced assurance of the above as required.

The Policy Governance approach also provides much useful architectural detail regarding creating policy and assurance which I will not go into here in order not to distract from the central theme of this article.

The Hacking Scandal Example

The hacking scandal has clearly illustrated that trying to establish who did or did not know what is a very haphazard business indeed. What did Rupert Murdoch, James Murdoch and Rebekah Brooks know? We will probably never be entirely sure.

The much more significant question for the long-term health of our society and one we really need to be able to answer is what *should* they have known given their respective roles and the impossibility of knowing everything? But that requires us to be clear about what those respective roles should have been. News Corporation again illustrates our current confusion. Rupert Murdoch is a very significant shareholder, Chair *and* Chief Executive of

News Corporation. The chain of command then passed down through two more Chief Executives, James Murdoch and Rebekah Brooks. James Murdoch is not only a board member of News Corporation but also its Deputy Chief Operating Officer and Chairman and CEO, International, of News Corporation. Whilst it is not impossible to hold someone accountable for playing more than one role, it is certainly not easy. And, given that it is not optimal for clear accountability to have people simultaneously playing the role of shareholder, chair, board member and executive, why would any organisation choose to create such a system unnecessarily?

If the roles set out in the accountability system outlined in the previous section of this article had been in place the inquiries into the hacking scandal would be asking very different questions. Were the board's policies governing the ethical conduct of its staff sufficient to prohibit misconduct? (From the company's website, the current answer would appear to be, yes). Were the board's systems for assuring itself of adherence to these policies as robust as could reasonably be expected? (On the basis of current evidence, the answer is absolutely not.) When did the board policy breaches currently under investigation come to light? What action did the board take? Were these actions timely and appropriate? If these breaches did not come to light – why not? These questions asked at each level in the accountability level set out above would quickly reveal who was not doing their job and therefore whose heads should roll if any.

The problem is however that News Corporation apparently does not have a proper system of accountability and therefore the current inquiries are going to find it very challenging to pinpoint the problems and put them right for the future. Over 200 heads have already rolled – were they the right ones? More heads will no doubt roll in the future. Will they be the right ones? What's to stop things going wrong again and how will we be able to judge what happened if they do?

In this and similar scandals we seem to be starting from the assumption that the company is operating fine and all we are dealing with is a few rogue members of it. The problem however is precisely that if we do not focus on holding the right people accountable for having the company work as a *system* we allow individuals to operate the company however they wish.

¹John Carver is the creator of the Policy Governance® model and author of many articles and books including *Boards That Make a Difference: A New Design for Leadership in Nonprofit and Public Organizations*, Jossey-Bass Publishers, 3rd Edition, 2006.

² For more on this subject see the article “Ownership and Boards” April 2009, at www.goodtogovern.com.

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About Caroline Oliver

Caroline Oliver helps boards develop accountable, ethical and effective governance systems and approaches. She is also author or co-author of three books and numerous articles on the work of boards.

Her 2009 book *Getting Started with Policy Governance*: is published by Jossey-Bass/Wiley and can be ordered through Amazon and other leading booksellers.

Caroline is also the founding Chair of both the International Policy Governance Association (2000 – 2005) and the UK Policy Governance Association (2006 to present). She is the Chief Executive of the international consulting firm Good to Govern, and founder of The Governance Corporation Network.