



TOP WEEKLY BUSINESS & BOARDROOM UPDATES

JANUARY 14 - 20, 2017

1. The Three Company Crises Boards Should Watch For

When an organization fails because of executive malfeasance, it generates a lot of attention. But such situations are actually relatively rare. It's much more common, though less talked about, for organizations to fail because of ungoverned incompetence. That is, someone does the wrong thing while trying to do the right thing, and organizational systems fail to catch it and contain it. This becomes more likely as the organization takes on strategic risk — through innovation, mergers and acquisitions, or because its environment is becoming more volatile. Boards that focus on problem-finding put their organizations on safer footing. Problem-finding boards establish structures and processes that prevent many problems from arising and stifle nascent problems quickly and effectively. Problem-finding boards understand the three drivers of ungoverned incompetence — a collapse of competence, shortcomings in self-governance, and inadequate corporate governance — and why they can be so hard to detect.

<https://hbr.org/2017/01/the-3-company-crises-boards-should-watch-for>

2. Today's CEO Earns 130 Times the Average Salary. We Need to Talk About This!

A recent study from the ILO, the Global Wage Report, found that the top 10% of highest paid workers in Europe together earn almost as much as the bottom 50%. “The payment of extremely high wages by a few enterprises to a few individuals leads to a ‘pyramid’ of highly unequally distributed wages,” the report said. Figures from the FTSE100 index of companies reveal a similar story. Whereas 20 years ago the average CEO was getting around 45 times the pay of the average worker in the business, today that ratio is around 130 times.

<https://www.weforum.org/agenda/2017/01/ceo-earns-130-times-average-salary/>

3. SFO completes £497.25m Deferred Prosecution Agreement with Rolls-Royce PLC

The agreement with the company follows the SFO's four-year investigation into bribery and corruption, an investigation which continues into the conduct of individuals. The indictment, which has been suspended for the term of the DPA, covers 12 counts of conspiracy to corrupt, false accounting and failure to prevent bribery. The conduct spans three decades and involves Rolls-Royce's Civil Aerospace and Defence Aerospace businesses and its former Energy business and relates to the sale of aero engines, energy systems and related services. The conduct covered by the UK DPA took place across seven jurisdictions: Indonesia, Thailand, India, Russia, Nigeria, China and Malaysia. A DPA is a statutory means by which a company can account to a court for conduct without suffering the full consequences of a criminal conviction, which might include international disbarment from competition for public contracts.

<https://www.sfo.gov.uk/2017/01/17/sfo-completes-497-25m-deferred-prosecution-agreement-rolls-royce-plc/>

4. Businesses Can and Will Adapt to the Age of Populism

As they slid down the streets of Davos this week, many executives will have felt a question gnawing in their guts. Who matters most: shareholders or the people? Around the world a revolt seems under way. A growing cohort—perhaps a majority—of citizens want corporations to be cuddlier, invest more at home, pay higher taxes and wages and employ more people, and are voting for politicians who say they will make all that happen. Yet according to law and convention in most rich countries, firms are run in the interest of shareholders, who usually want companies to use every legal means to maximise their profits. Wiser executives know that shareholder value comes in shades of grey. It has been a century since the idea was baked into American law. In 1919 a court ruled that “a business corporation is organised and carried on primarily for the profit of the stockholders.” In the 1990s this view spread to Europe, Asia and Latin America because of reforms to governance laws and the rising clout of institutional investors. But the doctrine is not monolithic. Schumpeter reckons there are six distinct corporate tribes, each with its own interpretation of what shareholder value means. Firms have some flexibility to choose which one they belong to.

<http://www.economist.com/news/business-and-finance/21714935-how-executives-balance-shareholder-expectations-and-social-p pressures-businesses-can>

CARTOON OF THE WEEK



WEEKLY STATISTICS

During the last week 64 business & boardroom updates were published.

Harcourt IGN, January 20th 2017