

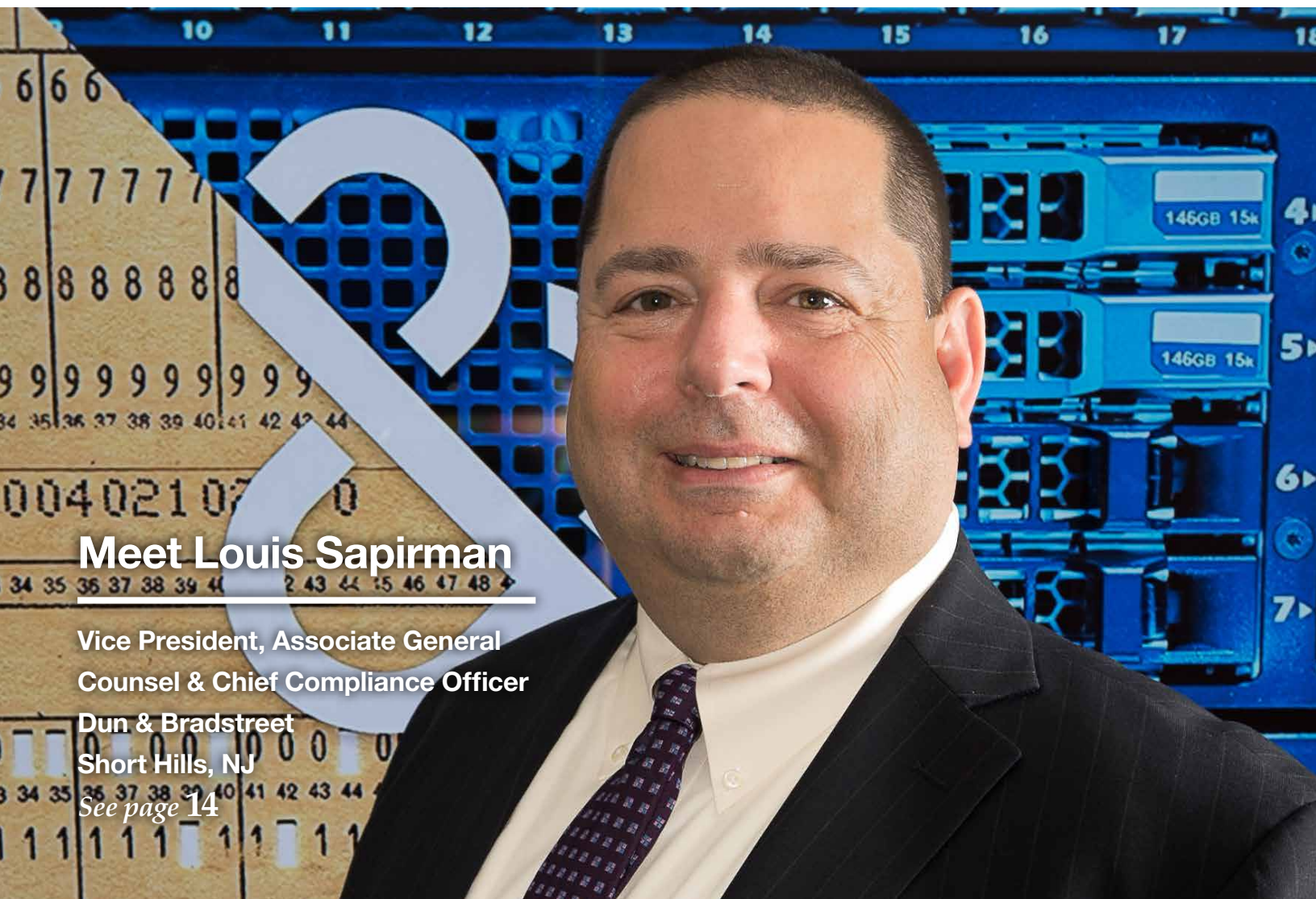
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by Erica Salmon Byrne

Governance failure or something worse?

Much has been written about the allegations of significant and pervasive harassment that have been levelled at Roger Ailes and the culture he created at Fox News. There are a variety of culture lessons that can be learned from



Salmon Byrne

exploring the information revealed by the internal investigation and the statements by various Fox employees as that information comes to light. In addition, there is a significant governance conversation to be had, and the basis of one piece of it comes from an article in the *Wall Street Journal* of the settlement paid out to

long-time Fox employee Laurie Luhn.¹ That piece includes this line: “According to 21st Century Fox, the parent company of Fox News at that time—News Corp—was unaware of that settlement.”

Unaware of that settlement. Let that sink in for a moment. Remember that this was a settlement paid to a long-term employee to resolve allegations of long-term harassment by the CEO. She was paid a little more than \$3 million. And by long term, I mean really long term—apparently she told the outside firm investigating the current set of allegations that she’d been harassed by Ailes for more than 20 years. And yet the parent company claims they were unaware; the subsidiary resolved the suit completely on its own.

There are at least two red flags here that should have immediately elevated this situation to the parent company level: the dollar figure involved and the seniority of

the individual involved. Even if one gives Fox the benefit of the doubt and says for a company of its size a \$3 million settlement was not material, the fact that the CEO of the subsidiary was involved should have triggered immediate notification of the parent company and the board. Now, did that basic level of governance not exist? Or, and this appears more likely, did someone make a decision to protect Ailes, then the head of a tremendously profitable arm of the overall business? Either way, it is troubling. Either the company failed to put in place the most basic of notification processes or there was a fundamental failure of organizational justice.

“According to 21st Century Fox, the parent company of Fox News at that time—News Corp—was unaware of that settlement.”

As a director, this should prompt a check of your organization’s notification criteria. Are you confident you would be informed if something like this occurs at the organization you’re responsible for overseeing? *

1. Joe Flint, Sara Randazzo, and Jeffrey A. Trachtenberg: “21st Century Fox Anticipates Settlements in Roger Ailes Harassment Probe” *The Wall Street Journal*, August 11, 2016. Available at: <http://bit.ly/21-century-fox>

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