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Hank Thaler: Ethics of Disclosure (A)

Henry Thaler (Hank) was CEO of Big Bucks Inc., a financial services company in the Boston metropolitan area. Five years after its founding, he took pride in the way he had cultivated the company. Professionally, he was proud that he had provided strong financial returns to his investors. He had grown the company to annual sales of \$110 million and paid a return on investment to shareholders on the order of 17% each year. Personally, he was proud of the way he managed his employees. "I always tried to maintain an open atmosphere." He continually told his employees that he would "never lie to them, never hide bad news, always keep them in the loop and always seek their counsel and opinions in respect to major decisions." He did all of this for what he called "totally selfish reasons." While he sincerely valued their opinions, he felt that by developing such an open atmosphere he was building one of company's competencies for success — an organization that was committed, cooperative and accountable.

But his loyalties were tested in 1996 when his majority shareholder, a London merchant bank (Old Money Ltd.), informed him that it intended to sell its stake in the company. The decision was made, it was irrevocable and it had already obtained the services of an investment-banking firm to represent its interests and facilitate the sale. Hank felt a sense of betrayal in the decision. Old Money was abandoning the company just as things were going so well. For the past five years, this company was his life and he felt a sense of partnership with his investors. He worried about the managerial implications that come with the introduction of a new majority shareholder. And closer to home, he worried about his family's financial security in the wake of the sale. He had invested a considerable amount of his own financial capital in the company and didn't like the uncertainties such a large sale could have on the company's value. In his opinion, Old Money was just out for a quick buck.

While dealing with these personal issues, he was also in a quandary with regard to his staff. The sale was certainly something that he felt he "should" share with his employees, given the open atmosphere he had created. He cared about these people and did not want to leave them blindsided by a sudden announcement that could impact their lives. He felt that they had placed their trust in his hands, creating within him a profound sense of responsibility. Even more, some within the senior management team were close personal friends.



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