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Hank Thaler: Ethics of Disclosure (B)

Hank Thaler kept quiet for several days and reflected carefully about what he should do. Finally, he resolved to tell the employees about the impending sale, but not before putting financial incentives in place for them to stay. These incentives were for all the employees, not just senior management. By doing that, he felt that he had stayed true to his management ethic toward his employees. And, he felt that he also served the interests of his shareholders by preserving shareholder value.

He supported this decision by thinking first about his employees. "It would have been easier, and cheaper, to remain silent about the sale, but that would have broken the trust that I had worked so hard to develop and maintain over the years and clearly violated the company culture. My employees had been good to me and helped me build a thriving enterprise. The very least I could do was to be honest with them."

His majority shareholder, however, did not agree and was very upset when Thaler told them what he had done. Old Money Ltd. had no illusions of keeping all of the employees after the sale and preferred to keep them in the dark and avoid paying the financial incentives. "It just wasn't their style," explained Thaler. "The open-management style I employed was very foreign to them. The bank was very traditional."

As a result of his decision, Thaler paid a price at the time of closing. As had been expected, the successful buyer was another financial services company that desired to consolidate Big Bucks into its operations, therefore achieving economies of scale. Forty percent of Big Bucks' employees were dismissed the day of the closing, and two of its branch offices were closed.

The day before the closing, Thaler was informed that the buyer did not need the services of another CEO (Thaler) and that the merchant bank would not require the company to offer him employment. The rest of the management team was spared. But as a form of protest, the VP of sales and marketing elected not to join the new buyer and exercised his severance option under the change-of-control clause in his employment contract. Thaler also benefited from the change-of-control clause but felt that "a severance payment, even a generous one, did not compensate for years of future employment."

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