

Dr. Chris Bart, Principal and Lead Professor of The Directors College (a joint venture between McMaster University and The Conference Board of Canada) is pleased to announce the results of the **2007 Directors College Award for Outstanding Case Writing in Corporate Governance**.

Established in 2005 by The Directors College, this award is North America's premier governance case writing prize. It is given to the best case in corporate governance *as submitted* and presented to the annual North American Case Research Association (NACRA) general meeting. The award is funded by The Directors College, but is administered by NACRA. Decision focused cases are preferred. However, cases must deal with issues faced by a company's board of directors, such as transparency in governance, governance structures, corporate investment and disclosure, shareholder and shareholder relations, accountability, privacy and security, executive and board compensation, roles and responsibilities of board committees, director independence, effective board management relations, board recruitment, role of the board chair or lead director, proxy voting, and stock options. Submissions must include an instructor's manual/teaching note and follow NACRA's Call for Cases. Judging is a blind review process conducted by a three-member committee. The committee is composed of one person selected by The Directors College and two persons selected by the current NACRA president.

For 2007, the First Prize goes to **"BOARD GAMES AT LUTHERWOOD: CLARIFYING THE RULES"** written by Professors Tupper Cawsey and Detlev Nitsch, both of Wilfrid Laurier University. The case concerns a complex decision about the appropriate degree of involvement for the operating Board of Lutherwood, a non-profit organization, in the plan to construct a new 100+ resident life-lease facility.

An Honourable Mention Award is also given to **"UNAUTHORIZED DISCLOSURE: HEWLETT-PACKARD'S SECRET SURVEILLANCE OF DIRECTORS AND JOURNALISTS"**, written by Professors Anne T. Lawrence, San Jose State University; Randall D. Harris, California State University (Stanislaus); and Sally Baack, San Francisco State University. This case revolves around a classic ethical dilemma: were the means employed by HP and its investigators justified by their ends in order to halt breaches of confidentiality in HP board deliberations and what checks might have prevented the situation from occurring?

A more detailed synopsis of both cases is attached.

The First Prize winners will receive a cheque for \$1000 from the The Directors College at the annual conference of The North American Case Research Association on October 20th. The winners of the Honourable Mention award will receive a cheque for \$500.

The Directors College extends its congratulations to the winners and is planning to incorporate the cases into future sessions of its flagship Chartered Directors program. For more details on the program see: <http://www.thedirectorscollege.com>

Lutherwood and the Lutherwood Child and Family Foundation: Goal Congruence ... or Not?

Synopsis of case

John Colangeli, CEO of Lutherwood, a \$20 million dollar revenue social service agency, faced a decision about the degree of involvement of the operating Board of Lutherwood, a non profit organization, in a plan to construct a new 100+ resident life-lease facility. Traditionally, construction decisions were handled by the Lutherwood Child and Family Foundation. The Chair of the Lutherwood Board wanted John to bring the decision to his Board. John was concerned that this would delay the decision and make the decision process on the project much more complicated than necessary. John was surprised by the Board's concerns. He thought the matter was clear and there were no jurisdictional issues. At the same time, he knew he could not risk alienating the Lutherwood Board.

Throughout Lutherwood's history, its boards had cooperated and worked together to create a unique social service organization that grew at over 15% annually for more than ten years. Board members had good personal relationships and a shared sense of Lutherwood's purpose and goals. John wanted to continue the growth by developing the new life-lease facility.

At the same time, John wished to avoid any divergence of interest or common goals between the Boards. This incident highlighted the fundamental structural division between the Boards and John wondered what needed to be done to manage any potential rivalry or competition over the longer run.

Suggested Courses and Levels

The case is targeted at senior undergraduate or graduate courses in governance or in the management of not-for-profit organizations. As well, it is very appropriate for specialty courses or seminars in governance.

Teaching objectives

1. Highlight the structural dilemmas many not-for-profit organizations face because of the independence between operating boards and their foundation boards.
2. Develop a deeper understanding of the management governance issues faced by not-for-profit boards of directors and chief executives. In particular, students may note that, while not-for-profit organizations face different issues and arguably must satisfy a more complex constellation of stakeholders, there are many similarities between them and more commonly studied commercial firms.

UNAUTHORIZED DISCLOSURE: HEWLETT-PACKARD'S SECRET SURVEILLANCE OF DIRECTORS AND JOURNALISTS:

Case Synopsis

In 2006, HP admitted it had hired outside investigators to spy on its board of directors as well as outside journalists to uncover the source of several leaks of confidential board deliberations. The investigators used methods, including “pretexting” (using an assumed identity in order to access others’ telephone records) which were possibly illegal and almost certainly unethical. *Newsweek* summed up the situation: “Lying, spying, name-calling, finger-pointing—all of it is a tragicomedy that Shakespeare might have penned if he had gotten an MBA.” This descriptive case uses primary documents to present various perspectives on HP’s leak investigations, including those of the non-executive chairman, CEO, former CEO, various board members, managers, and investigators. What problem was HP attempting to address in its investigation? Were its methods ethical? What, if anything, should the company have done differently? Ultimately, the case revolves around a classic ethical dilemma: were the means employed by HP and its investigators justified by their ends—to halt breaches of confidentiality in HP board deliberations?

Courses and Levels

This case is suitable for use in upper-division undergraduate, graduate, or executive education courses in Business and Society, Business Ethics, or Corporate Governance.

Teaching and Learning Objectives

After studying and discussing this case, students should be able to:

- Identify and analyze problems in the functioning of a public company board of directors;
- Apply theories of ethical reasoning to an analysis of steps the company took to address problems in corporate governance;
- Generate and debate options for how the company might have addressed the problems it faced.