



Mary C. Gentile, PhD, Director
www.GivingVoiceToValues.org

Giving Voice to Values

Rhonda Delgado and the Compromised CEO (A)¹

On July 11, 2011, Rhonda Delgado, the Director of Human Resources for Horizon Financial Advisors (HFA), was facing one of the most difficult challenges of her career. Over a period of two days, a number of employees of this large financial services organization had complained to Rhonda about their experiences with Alan Farmer, CEO of the company. While Farmer had struggled in dealing with conflicts and making decisions in the past, these complaints were new. Farmer was recently promoted into the CEO role. With the new title came the company's expectation that Farmer would entertain executives and potential clients frequently in his home. Based on what Rhonda was hearing, Farmer had taken this expectation too far.

One employee stated that he had been asked to work at Farmer's house doing construction tasks while being paid by the company. Another stated that he had been asked by the CEO to divert building materials from the company offsite storage units to Farmer's house for personal use in his home remodel. An administrative assistant from the Finance Department Payroll Division stated that Farmer had given himself a substantial salary increase without going through the proper approval channels. Complicating matters further, Rhonda reported directly to Alan Farmer. Rhonda knew that if what these employees were saying was true, then Farmer's behavior represented serious ethical and legal transgressions. She knew her first step was to confirm if what the employees were claiming about HFA's CEO was true.

Rhonda joined HFA in 2003. Prior to taking this position, she had worked in a number of different roles including Executive Director in New York City and San Francisco commercial banks. She began her career in HR at a large law firm in Los Angeles. Rhonda held HR

¹ Developed by Professor Jerry Goodstein, Faculty Director, MBA Program, Department of Business Washington State University, Vancouver. **This case was inspired by actual experience but names and other situational details have been changed, and interview sources left un-credited with permission, for confidentiality and teaching purposes.**

executive positions in a technology company and a large financial services company based in Dallas.

As Director of Human Resources at HFA, Rhonda was responsible for a wide variety of strategic HR initiatives. While this was challenging and demanding work, particularly in a financial services sector undergoing significant change and turbulence, she found the work personally and professionally rewarding. She and the other senior leaders at HFA had been able to foster a culture that valued innovation, strong customer service, and an outstanding reputation in the industry.

Alan Farmer had worked as Marketing Manager at HFA beginning in 1992. Rhonda had developed a very good working relationship with Farmer. She knew him to be a capable leader with great intelligence and a real gift for strategic planning. He had a great sense of humor and was someone who cherished his family and personal friendships. Over the course of his tenure at HFA, Farmer held multiple positions in marketing and operations. He advanced to an Executive Director position in 2005 and became Chief Executive Officer in 2011. Farmer's working relationships with others were cordial, collaborative and supportive. He was known for being a good listener. Farmer was also known to be fearful of conflict, any type of confrontation and making tough decisions. The tough decisions he avoided were centered on people issues.

Over a period of days Rhonda took steps, as discretely as possible, to investigate the employees' claims. She met with the complaining employees one on one. She reviewed the storage facility inventory list: comparing inventory going in to the facility and items going out of the facility. Included in this audit was the location of where materials were sent when they left the storage facility. She checked payroll records confirming scheduled hours and locations. Rhonda audited the payroll records for disparities in locations for the employee's scheduled work.

Her investigation confirmed what the employees had claimed. Farmer had used his power and his position for personal gain, engaging in actions that without any doubt crossed the line of acceptable ethical and legal behavior. Not saying anything was not an option. Rhonda considered several possibilities: 1) speak with the company Ethics & Compliance Officer (who also reported to Farmer), 2) go directly to the Board of Directors, or 3) speak directly to Farmer. Not only did she struggle with whom to speak to first, she wondered what she would say. There was little time to contemplate –Rhonda felt she had a professional responsibility to HFA, the employees who had approached her, and to herself to act.

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