

Sexual Harassment

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Jonathan Harper, founder of \$3 billion Wensis Capital(NASDAQ: WNSS), was a high-profile CEO. He dined with the President of the United States twice a year and talked with him by phone frequently. Harper was a prodigious fund-raiser for the President and his party. Since the President was running for reelection, Harper was busy again finding money among executive colleagues.

It was disturbing then when an exclusive report appeared on the web site, *Politico* (<http://www.politico.com/>), that Harper had been accused of sexual harassment 20 years before when he led a business trade association. The article struck the President's campaign sharply and called into question Harper's role as a bundler pooling campaign contributions from political action committees (PACs) and individuals.

The *Politico* story reported that two women had accused him of inappropriate behavior, suggestive remarks and propositioning them. Both women had left the association, one with a settlement of a year's salary, and the other without. Both were under non-disclosure agreements and the association said it could not comment on personnel matters. The *Politico* story did not reveal its sources and it did not name the women.

Harper was angry. He claimed he had never met with the women in private and the most he had done once was compare the height of one to that of his wife. He also did not name the women. Harper was sure it was a dirty trick designed to sideline him during a tough reelection campaign. The issue hadn't arisen during the first election campaign three years before, and there had been no hint of scandal associated with his name until now.

If it was a dirty trick, it worked. Media hounded him to get his denials. The Presidential campaign became a sideshow to the Harper sexual harassment scandal. Harper called the President and offered to pull back from the campaign. The President, however, did not agree for the time being. He needed Harper's money, he said, for what would be a difficult and prolonged fight. The President and Harper concluded Harper would be less visible although he would continue bundling.

The scandal did not pass. The woman who had received a year's salary came forward, identifying herself and breaking the nondisclosure agreement she was under. She told a lurid tale of suggestive remarks from Harper when she served as his secretary and that she had broken mentally under the pressure of his propositions. The woman was an elegant African-American who had kept her beauty over the intervening years.

Harper had no choice but respond. He told *Politico* and *The New York Times* that when he had learned of the woman's complaint while he led the association, he had turned the matter over to the general counsel and head of HR. The two of them, after investigating, had found no cause and no sexual harassment. This begged the question with reporters of why the woman had been paid a year's salary after departing the association, if she had no case. Harper said he didn't know, and he wasn't aware until now that she had been paid. It was all handled through the general counsel's office, he said, and the amount was too small to come to him for approval. The former general counsel and head of HR would not comment on the allegations. Harper contacted them and pleaded with them to disclose the results of their investigations, but they refused.

Meanwhile, a media hunt was on for the second woman who had claimed Harper had harassed her. Feedback from former colleagues at the association revealed that reporters had been contacting them trying to learn her identity. None had revealed it, and several didn't know anyway. Harper felt it was a matter of time before she surfaced and allegations would be front page news again.

Harper consulted with his personal attorney and his wife, reviewed his records and wracked his memory about interactions he might have had with the two women. He could not think of an instance in which he was anything other than business-like. It was possible the women had misinterpreted his remarks. Anything was possible. Harper's attorney and his wife both told him to keep quiet until the issue disappeared.

But, it didn't. The woman appeared on *60 Minutes* with a story of prolonged humiliation inflicted by Harper. The interview was paired with another from the leader of the National Organization for Women (NOW) who said that out-of-control bosses should be brought to account. Meanwhile, "friends" of the second woman related recollections of the woman's fear when dealing with Harper.

Harper's lead director at Wensis suggested that Harper leave fundraising because it was a distraction in running the company. Two other directors also registered concern. Harper was not used to being defeated, however, and he wasn't willing to go easily. He realized his name and reputation had been dragged through the mud, and he needed some way to regain them both. He called the general counsel, personal attorney and corporate communications officer into a meeting.

"I'd like to sue her for slander," he said, "But, it's my word against hers, and I don't think we could succeed."

The general counsel and personal attorney agreed.

"What can I do?"

“Stop bundling or do it at an arm’s length,” his personal attorney said.

“The situation is a distraction for Wensis,” the general counsel said. “I agree that you should pull back.”

“But, if I leave the field, she wins and the bastards who put her up to it win as well. What about my reputation? I don’t want my children thinking their father is a sex maniac.”

“We could put a private investigator on her,” said his personal attorney.

“If that gets out, you’ll be destroyed,” said his corporate communications officer. “Big corporation hunting the little person...”

“But I need to know who put her up to this.”

“I can make discrete inquiries,” said his personal attorney. “Meanwhile, you’ve got to stop bundling.”

Harper was frustrated, but agreed. He disappeared from the campaign and stories stopped in a matter of days. Inquiries into the woman appeared to show she was stable and not given to politics, which left Harper at a loss. He recalled treating her well, rarely displaying temper in front of her, and working as a team. He could think of no instance when any suggestive issue had come up between them, although he was aware of her beauty and brains. Why would she do this and why now? The second woman he could not recall. She hadn’t been his secretary, and he had no recollection of ever being in a room with her.

His corporate communications officer came to him with an idea. It was time for a gesture that would help repair his reputation -- a large gift to a prominent charity, or something like that.

Harper didn’t like it. He had given millions anonymously and wanted to keep it that way because he didn’t want to be besieged for contributions. He didn’t like the idea of putting his name on buildings. Besides, it seemed to him that a large gift at this time would be looked upon for what it was. And, what if the second woman surfaced?

Harper’s wife pushed him to defend himself. She was furious with the allegations. She had known Harper to be faithful for the 30 years of their marriage, and he was an attentive father, even with his busy schedule. At her urging, Harper hired Kroll to investigate the charges.

Kroll returned in six weeks with a preliminary report. Co-workers of the woman had no recollection of her talking about sexual harassment during the time that

she worked for Harper at the association. The year's salary was a "*de minimis*" amount and suggestive that the woman's allegations were difficult to substantiate. There were no financial records extant from that time period that could verify if the woman was in financial difficulty. There was no evidence the woman had been paid recently by any organization other than the company for which she was working. The woman was apparently not active in politics or in interest groups. However, she was discovered by a grassroots organization that opposed the President, and it was this group that apparently leaked her allegations to *Politico*. The group was responsible for the woman going public, and apparently the motivation was the woman was doing her civic duty by doing so. Since the allegations surfaced, the woman had retreated from the media and had gone back to her job. She had been turning down media requests for three weeks, as far as Kroll could tell.

Harper was stunned. The report couldn't be worse in terms of clearing his name.

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Questions for discussion:

1. What should Harper do now?
2. Devise a program that will help Harper regain his reputation over the next 24 months.
3. What, if anything, should Harper do in relation to the media?
4. What would you do?