



# Only in Canada, eh?

A case of corporate spying raises some serious questions about governance and morality

**L**et's do a quick comparison with our neighbours to the south to see which country has a better approach to cracking down on corporate malfeasance.

In one corner is Patricia Dunn, the now former non-executive chair of Hewlett-Packard. She takes no responsibility for the scandal that erupted after she authorized Project Kona, an unethical scheme that used private investigators to trace information leaks from HP's board of directors. In the other corner is Clive Beddoe, chairman and CEO of WestJet Airlines. He professes no direct involvement in the scandal that followed the revelation of the 007 Project, an unethical scheme to gain competitive information about Air Canada by hacking into its proprietary website.

Dunn's operatives impersonated HP directors and tricked phone companies into handing over call logs. Beddoe's fellow executive and WestJet co-founder, Mark Hill, got an Air Canada access code from a former AC employee who had defected to WestJet, and proceeded to harvest several billion bytes of competitive information.

Dunn eventually found her culprit, fellow director George Keyworth, who resigned from the board in September. Beddoe, if the e-mails he traded with Hill and others are to be taken at face value, used the information gleaned from Air Canada's private website to manage WestJet's competitive position.

Dunn and her cohorts face felony charges in California for spying on HP directors. Not only that, Dunn has been vilified by the business press and former HP executives and directors alike. Beddoe and his airline were sued by Air Canada for \$220 million, settled over drinks and dinner for \$15.5 million, and are now back serving up nuts and bad jokes on regularly scheduled flights. As part of the settlement, WestJet apologized to Air Canada in a joint press release for the "unethical" misconduct that was "undertaken with the knowledge and direction of the highest management levels." That's right: the highest management levels. Step forward, Clive Beddoe.



**WestJet admits there was "unethical" misconduct at "the highest levels"**

Nevertheless, WestJet's board just wants to put the unfortunate event behind them and move on. A recent warm and fuzzy memo from the board to WestJet employees proclaimed Beddoe as "a man of uncompromising integrity."

And there you have it. In the United States, unethical behaviour can get you on the fast track to a jail cell. In Canada, we govern the business sector as if it were some benign day-care centre where nobody is ever to blame.

Hill officially resigned from WestJet a few months after the spying became public. His boss, Beddoe, obviously knew about his actions for quite some time without doing anything about it. For the record, Beddoe claims to be prevented from defending his involvement in the spying as a result of the settlement with Air Canada. That's fair enough. But surely the board is aware of the full details, which leaves the ultimate outcome of this saga so perplexing.

It seems reasonable that WestJet directors would wait until after settling with Air Canada to censure Beddoe for his actions, not wanting to prejudice their case in court. But why has nothing been done even after Beddoe's deep

involvement was recently splashed before the consumer and investing public yet again? Perhaps the WestJet board saw nothing wrong with Beddoe's actions. Maybe the whole affair was just highly immoral, but not illegal. If that's indeed the case, then why does Hill, the co-party in the whole mess, no longer have a job at the company?

Is it possible that the board didn't force his departure, and that he resigned of his own sense of morality? Better late than never, so to speak. But then what does that say about Beddoe's sense of morality? Is he really the type of person you want running a company that prides itself on its corporate culture? It wouldn't seem so, but maybe that's just Canada for you. □

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