

Governing Energy

Virtue, Liberty, & Independence—At Risk?

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The state motto of Pennsylvania challenges all to a high standard.ⁱ Allegedly, led down the low road by one individual football coach, not just the university but the state is faced with a very high cost. Stakeholders at both institutions are rightfully outraged by these events.

Most readers are likely familiar with the Jerry Sandusky child abuse case and it is not the intention of this piece to focus on those details.ⁱⁱ As with other abuse of power instances, the broadening impact of his alleged crimes touches those who either knew, should have known and/or overlooked the behavior of one individual. Now their personal lives are in turmoil and potential legal exposure is created for these individuals and the institutions that employed them.ⁱⁱⁱ

According to one credible source, Penn State University will not be able to invoke sovereign immunity and may be faced with eight digit financial exposure to settle a number of pending and future civil litigations.^{iv} Moreover, as with many institutions, during these economic times it is already confronted with a number of steep financial hurdles, for example its 2011 funding reduction by the state of Pennsylvania of approximately \$182 million.^v

So which of PSU's stakeholders will be impacted by this one two punch? All of them and most likely to varying degrees!

Students, teachers, university employees, suppliers to the university, and the list goes on. Add the multiplier effects; the communities serving the 24 campuses and don't forget the families of these stakeholders. Citizens of the state of Pennsylvania are also the ones left holding the proverbial financial bag.

Good governance is not about putting a governance policy document in place. Good governance is the active involvement by the board of directors and top executives *imprinting* ethical and legal behavior into the daily activities of all employees, suppliers and others involved with delivering organizational performance—a culture of good governance/transparency. Early warning and early action can prevent or at least minimize a crisis caused by one out of control individual in a position of power.

The cadets at West Point have an Honor Code that reads, "A cadet will not lie, cheat, steal, or tolerate those who do."^{vi} One could surmise that today there are several high ranking (current and former) individuals in Pennsylvania that wished they too had followed that creed.

It appears that the PSU governance model failed in a systemic and highly visible manner. What will not be known for some time is the impact on the university's stature and future. The standing of the

football program, ability to recruit new students, retention and attraction of top professors, research funding and more are now in play. All of these have a financial metric attached to them in addition to their contribution to the reputation of the university.

How much damage could illegal conduct by one executive do to your firm?

About the Author

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End Notes

ⁱ http://www.statesymbolsusa.org/Pennsylvania/Motto_PA.html

ⁱⁱ http://www.pennlive.com/midstate/index.ssf/2012/06/jerry_sandusky_graham_spanier.html

ⁱⁱⁱ http://articles.philly.com/2011-11-10/news/30382552_1_sexual-abuse-grand-jury-football-coach

^{iv} <http://www.erlegal.com/sherry-in-legal-psu.pdf>

^v <http://live.psu.edu/story/52435>

^{vi} http://en.wikipedia.org/wiki/Cadet_Honor_Code#The_U.S._Military_Academy_at_West_Point