The Kick Seen ‘round the World:  
A Case Study in Crisis Management and Corporate Governance

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The Decision Dilemma

Elevator video surveillance from July of 2014 in the upscale Private Residences at the Hotel Georgia in Vancouver, Canada showed a man and a dog entering the elevator. After entering the elevator, the video showed the man repeatedly kicking and yanking on the leash of the pup. After the video had been released to the media in Canada, there was an effort to identify the man in the video. One day after the incident, Desmond “Des” Hague was identified as the man in the video. Hague’s behavior was described as “uncharacteristic” for the man who had been CEO of Centerplate, Inc. since 2009 and who was a veteran of the foodservice industry having served in leadership roles at IHOP, Safeway and Taco Bell (Centerplate, 2014). With Hague at the helm, Centerplate recently won the hospitality service bidding for the newly built Levi's Stadium, home of the famed San Francisco 49ers football team. Aware of the incident, Centerplate’s Board of Directors needed to determine what course(s) of action to consider. The dog walked away from the incident, but animal abuse charges could have been filed against their CEO. How could that impact their CEO and Centerplate? The incident occurred during Hague’s personal time. Thus, is it the company’s concern, or should they stay out of it? Should Hague be supported with counseling, reprimanded, placed on corporate probation, fined, forced to resign, fired, or some combination of these?

Centerplate, Inc.

Centerplate, a hospitality services company, was founded as Automatic Company of America in 1929 by Nathaniel Leverone. After success with various innovations in the vending machine business, which included branching into sandwiches, ice cream, cakes and cigarettes, the company’s first entrée into large scale hospitality services was when the Philadelphia Athletics moved into their stadium in Kansas City in 1954. From that time on, what is now Centerplate had continued success in non-vended food services including hotels, airlines, restaurants, and recreational areas. Pivotal moments in the company’s history were its acquisitions by International Telephone and Telegraph Corporation (ITT) in 1968, which was followed by divestment and another acquisition by Trans World Airlines in 1973. After TW Holdings, changed its name to Flagstar and sold the Canteen (Centerplate) arm of the business to a group of the company’s high-level executives, Centerplate, Inc. was founded and landed in its long-term home in Spartanburg, South Carolina (Pederson, 2006). Centerplate’s mission statement read:
Our mission is to make it better to be there. Every time. Everywhere.

By understanding what matters most—to guests, to fans, to communities—we help make the most of every moment through a strategic approach to hospitality.

We craft one-of-a-kind guest experiences that reflect purpose and place, so your presence is valued, your returns are rewarding, and your community connections are authentic.

That’s the power of Centerplate.

Making it better to be there since 1929. (Centerplate, 2015)

A privately held company, Centerplate ranked 5th among North American Foodservice Firms by sales in millions of dollars (Lazich, 2014):

1. Aramark $9,019
2. Sodexo $8,000
3. Delaware North $2,200
4. Compass Group $1,100
5. Centerplate $ 825

In addition to its long and successful history, Centerplate reached this status by providing food services for Super Bowls, World Series, NCAA tournaments, World Cup games and Presidential Inauguration Balls. Also, it had long-term service contracts with some of the best-known sporting complexes, including historic venues such as San Francisco’s Candlestick Park and newly built stadiums such as Carolinas Stadium in Charlotte, home of the NFL’s Carolina Panthers (Pederson, 2006).

Des Hague

Hague became CEO of Centerplate in 2009 after serving in executive roles at IHOP, Safeway, Taco Bell, Pizza Hut and 7-Eleven (Roberts 2014). Under Hague’s leadership, Centerplate won the contract to be the hospitality management company for the newly built Levi’s Stadium in San Francisco, home of the NFL’s 49rs. Hague also expanded Centerplate’s international presence with its acquisition of the Lindley Group, which, “provides catering for stadiums across the UK as well as a number of heritage sites and museums, such as, The Hepworth Wakefield in Yorkshire” (Robinson 2013). However, Hague’s contribution to the company was not limited to new business contracts and global expansion. Under his leadership, Centerplate’s menu of services, and more specifically food, underwent notable innovation. For example, fans in Carolina Stadium could enjoy Carolina-style barbeque while they watch their Panthers strive to march the football up and down the field (Pederson, 2006). If one was in the mood for seafood, the San Francisco 49’ers Candlestick Park served calamari and grilled ahi, while Tampa Bay’s Houlihan’s Stadium served Grouper Sandwiches (Pederson, 2006).

The Incident
Thursday, August 21st
The Canadian news outlet Global News broadcast elevator surveillance video of an unidentified man kicking a dog several times while repeatedly tugging on the leash and then dragging the dog by its leash as he exited the elevator. The video was taken from the Private Residences at Hotel Georgia in downtown Vancouver. The video was emailed by a Hotel Georgia employee to the British Columbia Society for the Prevention of Cruelty to Animals (BC SPCA) several days before Global News made it public. BC SPCA obtained a warrant, took possession of the dog and recommended criminal charges be filed against the man in the video. Global News led its main news broadcast with the video, and there was public outrage against the unknown man.

Friday, August 22nd
A search warrant obtained by Global News revealed the man in the video was Hague, CEO of Centerplate. The search warrant also said that Sade, the Doberman Pincher seen in the video, was less than a year old, was kept in inhumane conditions, and exhibited behavior of an abused dog. The warrant said Sade had been removed from Hague’s care.

Saturday, August 23rd
Hague issued a statement through his legal counsel that was first published by Global News. In his statement, Hague apologized and accepted responsibility. In his apology, Hague caused confusion about the ownership of the dog when he claimed the dog belonged to a friend. BC SPA stated publicly that Hague had told officers the dog was his.

I take full responsibility for my actions, this incident is completely and utterly out of character and I am ashamed and deeply embarrassed. Under the circumstances of the evening in question, a minor frustration with a friend’s pet caused me to lose control of my emotional response. Unfortunately, I acted inappropriately, and I am deeply sorry for that and am very grateful that no harm was caused to the animal. I have reached out to the SPCA and have personally apologized to the dog’s owner. At this time, I would like to extend my apology to my family, company and clients, as I understand that this has also reflected negatively on them (McNabb, 2014).

Centerplate also emailed a press release to Global News. In it, Centerplate stated:

This is a personal matter involving Des Hague. Centerplate in no way condones the mistreatment of animals, and since learning about the situation late Friday night, have reached out to local authorities to better understand the facts and circumstances related to the incident. As this is an ongoing review, we cannot comment further at this time (Roberts, 2014).

On the same day of the e-mail, Hague’s personal twitter account and the Centerplate Facebook profile were taken down as a social media storm began to brew.

Sunday, August 24th
Hague’s apology failed to stop the backlash as protests erupted on social media, particularly among Canadians. Using the hashtag #deshague, individuals implored organizations, such as Pavilion Corporation in Canada, to terminate their contracts with Centerplate.

Pavilion issued a statement that read:

_We are aware of reports regarding the BC SPCA’s investigation and are deeply concerned by what we have seen in the video. Centerplate employs hundreds of people in BC and this incident is in no way a reflection of the high quality of service that Centerplate’s employees have delivered for many years. We understand this matter is being reviewed by Crown Counsel, and respecting this process we will not be commenting further on these serious allegations”_ (Talmazan & Sweeney, 2014).

**Monday, August 25th**

The news of the “puppy-kicking CEO” had reached the United States and was quickly circulating online. The story was covered by news organizations including the Associated Press, CNN, ESPN, FOX News, Fortune, the Los Angeles Times, the U-T San Diego, the San Francisco Chronicle, USA Today, and the Washington Post. The video was posted on various media sites and YouTube with warnings that the video contained disturbing images.

There were calls for Centerplate to fire Hague. Fans said they would boycott Centerplate concession stands at sports stadiums. Organizations with concession-stand contracts with Centerplate, such as San Diego Chargers, San Francisco Giants, and the city of San Diego, denounced Hague’s behavior.

In a statement sent to Fortune magazine, the San Francisco 49ers wrote that the organization, “condemns the abuse of animals and was disturbed to learn of the recent news regarding Des Hague. We believe his actions are not reflective of the efforts and service provided by the hundreds of Centerplate employees working to present our fans with a tremendous experience at Levi’s Stadium” (Roberts, 2014).

**Tuesday, August 26th**

United States sports teams with concession stand contracts with Centerplate continued to issue statements. The San Diego Charger’s management issued a statement that noted, in part, that the organization had, “voiced our displeasure and concern to Centerplate’s leadership. It’s unfortunate that his actions have tainted the local Centerplate employees who devotedly serve our fans” (McDonald, 2014).

**Wednesday, August 27th**

Centerplate announced that its Board of Directors had convened a special session and internal investigation of the incident. The Board then issued a press release which stated:

_Centerplate’s Board of Directors recently convened a special meeting following the completion of an internal investigation and review of an incident involving animal cruelty by its CEO Des Hague._
We pride ourselves as individuals and as a company on how we treat others—both humans and animals. The company finds Mr. Hague’s personal behavior unacceptable and outside the bounds of our high standards and expectations of all of our staff. We do not condone nor can we overlook the mistreatment of animals and Mr. Hague’s personal misconduct.

Thus, upon internal review of the incident, and recognizing that Mr. Hague is truly ashamed of his actions and has expressed sincere remorse and shame for erratic behavior that is uncharacteristic of him we have decided to take the following immediate actions:

Mr. Hague will be given a written censure by the Board whereby he will be placed on indefinite probation stating that any further acts of misconduct would result in immediate termination.

As a condition of his continued employment with Centerplate, Mr. Hague will personally donate $100,000.00 USD which will be donated towards the establishment of the Sade Foundation in honor of the dog he mistreated in the elevator to help support the protection and safety of animals in the city of Vancouver where the incident occurred.

Further, we are requiring Mr. Hague to serve 1000 hours of community service in support of an organization that serves to protect the welfare and safety of animals.

Centerplate in no way condones the mistreatment of animals, and as a strong sign of our conviction, we the company will also contribute a portion of our sales to the Sade Foundation. Additionally, we will open this foundation to all Centerplate employees and the general public who want to support and contribute in the hope that meaningful change can come out of this tragic situation.

Mr. Hague still faces potential charges in Vancouver, where he is personally responsible for charges and fines in relation to the incident. (Centerplate, 2014)

In an email statement to Fortune magazine, Hague wrote that he was “deeply ashamed” and “will atone for many years to come.” He also stated that “I believe the steps I have taken and the sanctions imposed by the board in the long run will actually see many more animals safe and better protected.”

Thursday, August 28th
Coverage of the incident did not subside as the United States headed into the Labor Day holiday weekend. Sports Illustrated, Fortune, and dozens of media outlets covered the incident and the resulting penalty Centerplate imposed upon Hague. Some news outlets questioned Centerplate’s ability to weather the media firestorm. Users of social media continued to lash out at Centerplate for what they deemed was too soft of a response.
Tuesday, September 2nd
A petition on Change.org calling for Hague’s removal had accumulated more than 190,000 signatures.

For a visual overview of the timeline of these events, please see Appendix A.

Crisis Communication

In business, a crisis is an incident that poses significant threat to an organization, its stakeholders, and/or the public. The threat to the organization may be a threat to the organization’s reputation or financial health. There are three elements common to a crisis: a threat to the organization, the element of surprise, and a short decision time (Seeger, Sellnow, and Ulmer, 1998). It could be argued that Centerplate faced a crisis when the news of Hague kicking Sade became public on Thursday, Aug. 28. Social media played a role in the development of this crisis. Thousands of consumers shared video of Hague kicking the dog in the elevator. Once the crisis emerged, Centerplate’s Board had a responsibility to take action.

Board of Directors and CEOs

Centerplate, like all private and public companies with shareholders, operates under the direction of a board of directors. “Formally, boards of directors are charged with the responsibility of monitoring management to ensure that actions are taken to increase shareholder value” (Besanko, et al., 2013, p. 89). In other words, boards of directors exist to advocate for and serve the best interests of company shareholders. In providing guidance and direction for the company, boards of directors work closely with and are informed about the company so as to provide informed and insightful guidance.

The role of the board of directors is critically important, particularly in large companies with many, many shareholders, employees and stakeholders. These individuals depend on boards and their guidance because as relative outsiders to the organization, shareholders do not have the “expertise nor the information” needed to guide managerial decisions (Besanko, et al., 2013, p.89). As representatives of the shareholders, the board of directors makes policy decisions for the corporation. While the board of directors provides guidance to the organization, it is the CEO’s responsibility to implement that direction. The responsibility for day to day operations of the corporation ultimately falls to the CEO.

One of the most important decisions a board makes is the selection of officers to manage the corporation. This includes hiring and firing of CEOs. In this role, board members have a fiduciary duty to act in the best interest of the corporation.

The composition of boards of directors is, by design, diverse across industry and firm in order to bring the multitude of expertise and experience needed to navigate a company through an increasingly competitive and dynamic global business environment. Centerplate’s 15-member Board was no exception with members representing a wide variety of experience and industry knowledge, including members with leadership experience in the foodservice industry, investments, energy, healthcare and retail (Bloomberg, 2014).
Conclusion

Centerplate’s Board was faced with a situation involving its CEO that could have had significant impact on not only the company’s current position but also its future. In response to Hague’s behavior, the Board had conducted its internal investigation. Based on its findings, the Board had placed Hague on indefinite probation, required a substantial donation to a charity, and imposed community service. Hague had repeatedly apologized and taken full responsibility for his actions, which occurred outside the scope of his role as CEO. Furthermore, Hague still faced criminal charges in Vancouver and had not yet been convicted of any crime. Nevertheless, several days after announcing these actions, the story of Hague’s mistreatment of the dog continued to garner attention in the media, and some social media users were calling for a greater response from Centerplate’s Board. The Board needed to carefully consider whether to wait for the media attention to pass, or whether more action was required. Had the multiple actions taken by Hague and Centerplate’s Board of Directors been sufficient, or did the Board need to take further action?
Timeline of Events

1. Elevator video released to Canadian news
2. Hague identified; dog removed from his care
3. Story reported in US news outlets; calls to fire Hague: 49er’s issue statement
4. Hague issues apology; Centerplate says it was a “personal matter”
5. Social media in Canada calls for termination of Centerplate contracts
6. Sports teams with Centerplate contracts continue issuing statements
7. Centerplate Board meets; places Hague on probation, says he will do community service and donate to charity
8. Social media response and news coverage grows; Questions about punishment being too soft
9. Petition to fire Hague reaches 190,000
References


