Joe Smith's Ethical Dilemma: Apex Energy Group (A Critical Incident)

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This critical incident case examines an ethical dilemma faced by Joe Smith, an accounting professional for Apex Energy Group. Joe was the liaison between the accountants and the Information Technology department. This case details Joe's actions when he discovers he has access to a sensitive data file and the ramifications to Joe, his superiors and fellow coworkers. Individuals are allowed to analyze decisions that were made and provide an ethical alternative by analyzing what Joe and Apex Energy Group's responsibilities were and to whom and how the situation should have been handled.

Keywords: ethical dilemma, corporate ethics, code of ethics

OVERVIEW

Joe Smith was excited about his new role at Apex Energy Group as the Subject Matter Expert on capital reporting. He feels like Apex Energy Group is a great workplace and is excited about his opportunities to grow with the company. While Joe loves working in the accounting department, he is looking forward to being the liaison with the Information Technology (IT) department in this new role. Joe has a background in accounting and IT and welcomes the opportunity to put both skill sets to use to benefit the company and grow his experience.

At some point in their lives, individuals are likely to face an ethical dilemma, whether in a personal, social, or professional capacity. Determining the best course of action may be challenging, as not all ethical dilemmas are equal. When an ethical dilemma occurs in a business setting, multiple factors impact an individual's ethical decision-making and ultimate behavior. These include their moral code, the company's ethical culture, and their ability to rationalize the issues and their decisions. Joe is facing an ethical dilemma that has entirely caught him off guard.

RELATED LITERATURE

Corporate Ethics

Ethics in business is imperative to an organization's success. Much like accounting, finance, and marketing, ethics is an essential business function (Schroeder, 2021). The strength of a company's ethical culture is the most important influence on employee behavior (ECI, 2021). A strong organizational culture, which emphasizes integrity, honesty, and ethical conduct, can help mitigate the risk of unethical behavior (Lakatos & Shoulders, 2020). Yet, the Ethics and Compliance Initiative (ECI) reveals in its 2021 Global Business Ethics Report, that only one in five companies in the United States had a strong ethical culture (ECI, 2021).

While many organizations have developed a Code of Ethics, merely having a Code of Ethics does very little to create a strong ethical culture if it is not implemented and consistently followed, especially by management. An organization's culture is greatly influenced by not only the attitudes and personalities of its management but by their actions as well (Bryan, 2012). Management's actual behavior and their reaction to any deviation from the organization's Code of Ethics conveys a much stronger message, much more so than the Code itself (Mintchik & Riley, 2019). Whether demonstrated through corporate values or attitudes, the tone at the top can reinforce honest or dishonest behavior (Dion, 2019). As this tone at the top trickles down throughout the organization, employees look to management to lead by example. Thus, management must essentially not only 'talk the talk,' but 'walk the talk' as well. When they fail to do so, employees often follow suit.

Human Behavior

An individual's ethical code, convictions of what is considered right or wrong behavior, is formed at a very early period in their life, resulting from personal, social, and cultural socialization (Mintchik & Riley, 2019). However, when an ethically questionable situation arises, this moral code can become malleable, at least temporarily (Fukukawa et al., 2019), allowing even the most honest individual to behave unethically. When faced with an ethical dilemma, rationalization is a key element in helping to explain why an individual's ethical code can become malleable and allow them to justify unethical behavior (Zyglidopoulos et al., 2009).

Ethics and psychology can impact human behavior as individuals think, act, and respond differently to a given situation (Aris et al., 2013). Emotion, consciously or subconscious, can influence how an individual responds to an ethical dilemma (Baker, 2017). Thus, ethical decision-making is impacted by both reason and emotion (Baker, 2017).

CASE FACTS

Joe Smith, an accountant who had worked for Apex Energy Group, for five years, encounters an ethical dilemma. Joe recently became the Subject Matter Expert (SME) for the newly formed Capital Reporting group. Apex Energy Group is a mid-sized exploration and production oil and gas company with a worldwide presence. Although founded in south-central Oklahoma, it is headquartered in Houston, Texas. The company maintains operational offices in Colorado and Pennsylvania and an office in south-central Oklahoma which houses the accounting function and some support functions. Joe worked at the south-central Oklahoma location.

Apex Energy Group has a Code of Ethics that is distributed to all employees upon hire and is archived on the company's website. The Code of Ethics details the company's standards for ethical behavior and provides guidance on compliance of these standards. Although in-place, many employees considered the Code as nothing more than window dressing because it was obviously not taken seriously by management and this tone-at-the-top trickled down throughout the organization at the south-central Oklahoma location.

Joe spends most of his time as a liaison between the accountants in his group and the people in the IT department who manage the accounting information systems used by Apex Energy Group Inc. Joe would explain to his counterpart in the IT department what the accountants needed, and then test the solutions that the IT department developed before deploying them into production. Most of the new Capital Reporting group members were also new to Apex Energy Group and more than a few were new to the oil and gas industry itself. Joe had excellent accounting skills, understood the oil and gas industry, and was a wiz with Excel, accounting information systems, and report writing.

One afternoon, Joe came across a module in the accounting software that he did not realize that he had access to. While "clicking" around, he realized it was a human resources (HR) module. Upon further exploration, he found that he was able to access every employee's personnel file. He even ran a report that contained every employee's title, salary, social security number, address, date of birth, and banking information, including routing and account numbers! Joe knew this was extremely sensitive information and that IT had a serious security control issue. If he had access, who else had access?

Joe called his manager and the Directors of Accounting and IT to report the issue. The Director of IT was thankful that Joe had brought the matter to his attention and embarrassed that his team had dropped the ball. However, Joe's manager and Director of Accounting were very upset with Joe. They felt that Joe should have stopped as soon as he realized he was in a module to which he should not have had access. Because Joe was well-liked and an invaluable member of the team, it was decided that Joe's indiscretions would be kept quiet. Joe was unofficially reprimanded but not written up. There was no record of the disciplinary action made.

A few weeks later an email was distributed from the desk of the CEO of Apex Energy Group alerting employees that due to the low commodity market, a reduction in force was coming in the months ahead. A plan was not in place, but employees would be notified as details became finalized. Worried, Joe and his co-workers naturally looked to their managers for answers who in-turn looked to their directors. Word from the top was that the Oklahoma office had nothing to worry about. It looked like the plan would shift more work to the Oklahoma office. The departmental structure might change, but most of the reduction in force (RIF) was going to occur in the other locations. Two months later, the CFO sent the CAO and an HR team to the Oklahoma office to announce that the Oklahoma office was going to be closed. The accounting function was going to be relocated to Houston. Those who were interested in relocating might be offered a position; the rest would be notified of their separation date as soon as it could be determined. Stunned, Joe and most of his coworkers indicated they would be interested in relocating, but also began updating their resumes.

Eventually job offers from Apex Energy Group were emailed to some employees who indicated they were willing to relocate. The Oklahoma employees were offered their current salaries to relocate to Houston. This seemed odd when the difference in the cost of living between the two locations was considered. It had always been rumored that the same positions in Houston paid more than they paid in Oklahoma. Was Apex Energy Group adding insult to injury by low-balling the Oklahoma employees? Joe knew the answer.

Joe had saved a copy of the report that had contained every employee's title, salary, social security number, date of birth, address, and banking information to his desktop on his work laptop computer. Joe created a table that contained the Houston titles and salaries. He made it available to anyone in his department who wanted to compare their offer against what others in their position in Houston were earning. Apex was trying to bring in the Oklahoma employees at a considerable discount. No one in the capital reporting department accepted the job offer they received from Apex Energy Group. Apex Energy Group rejected all counter offers.

The following week, Joe and a few of his coworkers and their manager were gathered in an office having coffee and casually discussing the last few weeks' events. Someone mentioned the table containing the titles and salaries that Joe had shared. Joe's manager knew exactly how he had come across that information. She also knew that if most of her department knew about it, it would not be long before the entire building knew about it. She excused herself from the group, went to her office, and immediately called her boss to schedule a meeting.

The Director of Accounting and the CAO called Joe into a meeting about an hour later. It had not been disclosed earlier when Joe reported the security issue with the HR module that he had saved the report he had run. He was fired for cause, allowed to gather a few things from his office, and escorted out of the building. The rest of his belongings were packed up and delivered to his home.

CONCLUSION

Ethics, ideas on what is right or wrong behavior, are influenced by personal and social experiences. This case exemplifies the need for a strong ethical culture in an organization to encourage ethical behavior. Apex Energy Group's management's failure to consistently follow their company's Code of Ethics fueled Joe and his fellow coworkers' ability to rationalize their behavior. The case allows individuals to evaluate the various options available to Joe and Apex Energy Group and use their understanding of ethical principles to help determine the best solution to the ethical dilemma that Joe faced.

QUESTIONS

Question 1*: Who are the stakeholders?*

Question 2: *Characterize the differences between utilitarianism, the rights principle, and the virtue principle. Was Joe justified in his actions? Explain your answer.*

Question 3: *Does Apex Energy Group's management's lack of emphasis on the company's Code of Ethics excuse the employees from following it?*

Question 4: *What are some guidelines in making good ethical decisions? Explain your answer.*

ACKNOWLEDGMENT

In Memoriam of Robert Howard. He was admired and loved by students and colleagues. His faith was evident and strong and brought into the classroom with the hope of not just teaching ethics but changing students' hearts.

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Joe Smith's Ethical Dilemma:
Apex Energy Group
(A Critical Incident)
Teaching Note

CASE SYNOPSIS

This critical incident exemplifies some ethical dilemmas professional accounting organizations face. In this case, Joe Smith, an accountant for Apex Energy, Inc. was the liaison between the accountants in his groups and the IT department for the organization. This case details Mr. Smith's actions when he discovers he has access to a sensitive data file and the ramifications of those actions to Mr. Smith, his superiors and fellow coworkers.

This case is a description-based case and primary data was used to develop the case. An employee in the organization was the source of information. This case details actual situations with the actual names of the individuals involved and the organization disguised.

COURSES AND LEVELS FOR WHICH CASE IS INTENDED

This case is suitable for an undergraduate or graduate business ethics course. It can be used to allow students to utilize ethical theories to understand which ethical theory or theories are appropriate to help the students determine the ethical issues involved.

TEACHING OBJECTIVES

There are several objectives that may be achieved with the case. The case should enable students to:

1. Distinguish between different approaches to ethical decision making by using the basic ethical theories to rationalize the issues.
2. Examine a real ethical issue faced by a professional with broad implications affecting other people and organizations.

THEORY APPLICATION

Students are provided with an opportunity to analyze decisions that were made and provide an ethical alternative. They are challenged to analyze Joe's and Apex Energy's responsibilities and to whom and how the situation should have been handled. The case requires that students evaluate the various options available to Joe and Apex Energy and use their understanding of ethical principles to determine the correct course of action.

RESEARCH METHODS

Data Sources

Primary data was used to develop the case. An individual working in the firm supplied primary information.

Extent of Disguise

This case details actual situations with the actual names of individuals and the organization disguised.

Suggested Teaching Approaches

This case details actual situations that can be used to provide undergraduate and graduate students with an opportunity to make practical application of ethical theories to an issue faced by a professional with broad implications affecting other people and organizations and to examine the economic impact of the ethical decision. This case suits written reports, oral presentations, and examination purposes.

QUESTIONS TO GUIDE CASE ANALYSIS

Question 1: Who are the stakeholders?

- Joe
- IT Manager
- Joe's manager
- Director of Accounting
- Joe's coworkers and their families
- Employees whose sensitive information was exposed

Question 2: Characterize the differences between *utilitarianism*, *the rights principle* and *the virtue principle*. Was Joe justified in his actions? Explain your answer.

Utilitarianism

Utilitarianism is commonly referred to as the "greatest good for the greatest number." Often this process includes a cost/benefit analysis. That doesn't mean this approach will yield the best ethical result. For example, an automobile defect may injure only a few people. Instead of recalling the defective model, however, the automobile company pays damages to the few injured parties. The injured parties receive compensation while the automobile company saves money. It may appear to be a win-win situation, but there is still a risk that other consumers will be harmed by the defects, even if these consumers are notified of the defects. This is an example of how utilitarianism suggests that resources be implemented in the most efficient form. Even though there is still a risk of harm to consumers. Individuals who use this approach feel they have made the best ethical decision.

The basic principle of utilitarianism implies that decision-makers choose the alternative(s) that bring(s) about the greatest good or benefits to the greatest number. When using utilitarianism, users should ask if the good associated with the course of action outweighs any harm associated with it. If the good outweighs the harm, then choosing that course of action is considered ethical. The major shortcoming of utilitarianism is self-interested reasoning. In addition, individual rights or minority groups' rights may be discounted for the "greatest good." Students may argue that the definition of "the greatest good" is subjective and therefore difficult to delineate. From a utilitarian perspective, students must use some form of the "greatest good for the greatest number" in their reasoning.

Joe may have 'accidentally' come across the HR module and couldn't unsee what he saw; however, he could have and should have stopped exploring the module once he determined the sensitive information it contained. Also, many organizations outline the procedure for reporting incidents that normally follow a chain of command. Although it isn't outlined in the case, Joe should have reported the incident to his immediate supervisor (up the chain of command) instead of reporting it first to the IT department then to his manager and the Director of Accounting.

Joe's reason for continually exploring the module once he determined it was a HR module and saving a copy of the information is perplexing. He did this several weeks before being notified that a reduction in force was coming in the months ahead. So, one may contemplate whether he was privy to the upcoming reduction in force information before the CEO's email was distributed. Had he known about the reduction in force at the time he came across the HR module, one may argue that the fact that he kept a copy of the HR information was for the greatest good of all the employees at the south-central Oklahoma office. The file contained valuable title and salary information for employees in the Houston office and having access to this information would allow the employees at the south-central Oklahoma office to make an informed decision on whether to accept a transfer to the Houston office at the compensation offered by the organization. In considering the transfer, the employees had to consider the cost-of-living differences and how the relocation would affect their families. If applicable, spouses may have to locate employment in the area, children would have to leave behind friends/family and transfer to a new school. Old homes would have to be sold and new ones purchased.

An important question that could be debated in class is, were Joe's actions ethically justified due to the number of stakeholders (employees and their families). By sharing this information with his colleagues, they requested a higher salary to relocate. With the company's rejection of the request, none of the colleagues relocated.

Rights Principle

Underlying the rights principle are the rights of individuals and the intentions of behavior with respect to those rights. Originally expressed by Emanuel Kant (1724-1804) this principle holds that a decision is ethical when it is the same decision most people would make based on universal morals (i.e., morals held by all people such as respect for life). This leads to the concept that an ethical decision is correct if it can be applied to all similar situations. For example, if it is wrong to lie, it is wrong to always lie including "white" lies one may tell to spare someone's feelings. This is known as Kant's "moral imperative." The concept goes beyond legal requirements and insists that people volunteer the truth when they are not obligated to reveal information.

The "rights principle" is often compared to the Golden Rule. Therefore, decision-makers need to ask, "Is this decision the same decision that I would expect most moral people to agree with?" The ethical theory of rights may be inferred by reason from studying human nature. The "rights principle" holds that a decision is ethical when it is the same decision most people would make based on universal values. Rights imply that other people or entities have a duty to respect those rights. At times, however, decision makers may incorrectly use rights to give individuals a sense of entitlement. In addition, rights are not absolute and may be hard to define. We have the right to free speech but not the right to go into a crowded theater and yell, "fire."

Joe had a duty to follow the company's and accounting professions code of ethics. He had a professional responsibility to safeguard information. He failed in this ethical duty. If Joe was a Certified Public Accountant, he also failed his ethical duty as per the AICPA Code of Ethics. Students may argue that while Joe kept a copy of the file, he only supplied his fellow coworkers with the titles and the positions' salaries instead of providing the employee's personal information about who held the positions. Although in doing this, he still violated the individuals, whose information was on the file, right to privacy to provide this information to his coworkers.

The case provides that Joe considered "if he had access to the file, who else did as well." Students may argue that other individuals may have had access to the file but didn't disclose this information as Joe did and they may have also kept a copy of the file. The individuals whose information was exposed had the right to know that their information had been compromised. Joe's supervisor and the Director of Accounting failed the individuals by looking the other way.

Virtue Principle

Underlying the virtue principle, an individual's character is derived by the values, beliefs and attitudes formed and instilled in them throughout childhood. In a sense, an individual develops a moral compass that is used to guide them in their decision making. For a person's values, beliefs and attitudes to guide their decision making, an individual must have a strong moral code, not everyone. The case states that Joe wasn't officially reprimanded, and his supervisors chose to make light of the incident because he was "well-liked and a valuable member of the team." This implies that this incident was out of character for Joe and that they assumed he had a simple lapse in judgment.

Question 3: Does Apex Energy's management's lack of emphasis on the company's Code of Ethics excuse the employees from following it?

Proverbs 29: 12 states, "If a ruler hearkens to lies, all his servants are wicked." Proverbs 11:14 also states, "Where there is no [wise, intelligent] guidance, the people fall [and go off course like a ship without a helm], but in the abundance of [wise and godly] counselors there is victory."

Strong leadership and the tone-at-the-top is very important in an organization because it trickles down throughout the organization. Apex Energy Group's management failed their employees with their lack of emphasis on the company's Code of Ethics. However, this doesn't excuse the employees from following the company's Code. This is especially true for Joe and his fellow accounting colleagues. For Joe, as a professional accountant and liaison between the accountants in his group and the IT department managing the accounting information system, there is in addition the accounting professions Code of Ethics to follow consisting of ethical principles such as integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Although Apex management didn't emphasize the company's Code of Ethics, Joe would have been well-aware of the accounting professions Code of Ethics. If Joe was a Certified Public Accountant, he would have taken the oath to uphold the AICPA Code of Ethics upon being certified.

Question 4: What are some guidelines in making good ethical decisions? Explain your answer.

Students may differ in their views about how ethical decisions are made. However, it is important they realize that how ethical decisions will be made is something they need to consider *before* the ethical dilemma presents itself.

To keep our integrity, we need to make good ethical decisions. Unfortunately, most ethical situations do not present themselves as simple right or wrong problems, but instead, are mostly shades of gray and often complex and ambiguous. Ethical situations may also be ill-defined and difficult to recognize. As business becomes more globalized, technology advances, and workers gain more knowledge, ethical problems take on increasing complexity. These factors put ethical decision makers at "ethical risk." Managers and others who make the wrong ethical decisions put their organizations, employees, and the public at risk of physical, social, or environmental harm. Ethical decision-making will remain difficult, but there are guidelines researchers can employ to aid in making the right choices.

Factors to Consider When Assessing an Ethical Decision
Follow the rules that are mutually understood and agreed upon. Everyone needs to operate under the same rules of the game.
Be able to discuss and defend your choices. An ethical decision maker needs to be open about how a decision was reached. Openness indicates a confidence in one's attempt to make the right decision.
Employ the Golden Rule. That is, would you want to be on the receiving end of your actions? Additionally, consider what society would look like if everyone acted as you did.
Consider the decision alternatives. This is best done by seeking input from those with different points of view that are inside and outside of the firm.

In addition to these factors, ethical decision-makers should reflect on their own moral philosophy. Proverbs 11:3 states "the integrity and moral courage of the upright will guide them, but the crookedness of the treacherous will destroy them." A person's values guide actions and a strong, moral code is a prerequisite in assisting him or her in making ethical decisions. The better one understands his or her values, the easier ethical decisions will be.