Watson Water Technologies: An Ethical Dilemma in the Workplace

By Andrew Bargerstock, CPA, and Ye Shi

During the Monday morning train ride to her job at the U.S. headquarters of Watson Water Technologies (WWT) in Chicago, Ill., Melissa Parks, CMA, reflected on her previous month as the company’s new eXtensible Business Reporting Language (XBRL) Specialist in the Securities & Exchange Commission (SEC) Reporting Group. She had heard a radio report earlier that morning that discussed a large multinational corporation receiving a $250 million fine from the SEC for violations of the Foreign Corrupt Practices Act (FCPA), a U.S. law that forbids financial payments to foreign officials for the purpose of procuring a business contract. Melissa took special interest in this report because it reminded her of a strange conversation she had overheard the previous Friday morning.

As she rode the train, Melissa thought about her job at WWT and how she had tried for three years to get a position with the company. Her father, Joshua Parks, is a Senior Product Design Engineer with WWT’s Corporate Design Division, and he had long expressed his pleasure with working for WWT, especially in light of what he saw as its “humanitarian mission.” He frequently encouraged her to join him in working for the company.

During her first few weeks, Melissa had the chance to see firsthand what her father had been describing. WWT manufactured large-scale water purification systems and sold them to government and private institutions worldwide. Much of the company’s products were sold in
third-world countries. In the most recent Watson Annual Report, the company’s CEO, Jared Watkowski, cited the development of new business opportunities in Africa and Southeast Asia as a high priority for the next two to five years.

Working for the SEC Reporting Group brought about special challenges at the publicly traded company. During the previous three years, WWT had been utilizing a third-party XBRL data conversion company to meet SEC provisions that require all regulated companies to submit reports using XBRL. But Melissa’s three years of experience with an XBRL data conversion consulting firm had given her the technical background needed for her new position. Her main responsibilities at WWT included ensuring data quality and the accuracy of XBRL filings so that they conform to the SEC’s requirements. She enjoyed the work, felt comfortable with the technical requirements, and was happy to be working at the same corporate office building as her father.

Yet the incident on Friday stuck in her mind that Monday morning and made her uneasy. She had unintentionally overhead two colleagues discussing the details of a project, and she felt conflicted about the ethical implications of what she heard. Even after thinking about it all weekend, she still wondered what she should do next.

**The Friday Break Room Incident**

Around 10 a.m. on the previous Friday, Melissa visited the 10th floor break room. The room was empty except for two men, Tom Bedinger and Jim Wang, who were seated out of view on the other side of a partition. They didn’t appear to have heard or noticed Melissa enter the room. As she headed toward the coffee station, Tom began to talk about a specific sales project called “Grow Africa.” He was excited that he was able to be part of a team that “closed the deal with three African governments” on his latest business trip and was sharing his excitement with Jim.

Jim expressed his surprise at the result, saying, “I heard there was a lot of competition for that deal. How did you close it so quickly?” Tom chuckled, paused momentarily, and then said in a stage whisper, “As you know, we’ve been under a lot of pressure to hit our sales numbers in Africa, and this was a tough sale. We are really good at pitching the business plan, but it’s a different world in Africa. Thank goodness we have a special fund to…smooth…the palms of government officials when needed. Worked like a charm. It’s all hush hush, so don’t repeat this to anyone.” As Tom completed his explanation, both he and Jim stood up to leave. That was when they noticed Melissa. Appearing a bit flustered, ‘Tom continued, spilling his words loudly as the two men headed toward the door. “Of course, I was just joking, but you know that.” They hurried out the door.

Melissa was shocked and dismayed. She wondered why she had had to hear this conversation. Did she really hear
Tom talking about bribing government officials? Melissa worried about the incident all morning. She decided to get some advice from her supervisor.

**Discussion with Team Leader**

On Friday afternoon, Melissa spoke with Bradford Wagner, her team leader, and explained to him what happened. Bradford, whose career began in IT services and then moved to management information systems, had expertise in covered systems analysis, enterprise resource planning, and, more recently, the technical side of XBRL tagging.

After listening to Melissa’s story, including her concerns about possible FCPA violations, Bradford responded, “I suggest that you let this slide. You don’t want to be perceived as a troublemaker. The Sales Division has been put under a lot of pressure to open up Africa. It wouldn’t look good for you or our SEC Group if you stir up things. Besides, you probably misheard what they were saying. It was probably just a joke. I suggest you keep focused on your work.”

Melissa took a deep breath and said, “Maybe you’re right.” She finished the day. On the way home, still unsatisfied with her conversation with Bradford, she decided to do some research on the FCPA and her ethical responsibilities as a CMA® (Certified Management Accountant).

Melissa considered talking to her father, but she felt that his response would likely go along with Bradford’s suggestions and focus on not making trouble for the company. Her father had served two tours of duty with the U.S. Marines before joining WWT 15 years ago. He was very loyal to the chain of command and knew the importance of growing revenues for the business. Melissa also wasn’t sure if the IM A Statement of Ethical Professional Practice might view such a discussion with her father as a breach of the professional confidentiality standard. Finally, Melissa sensed that her father might feel embarrassed if she challenged the Sales Division’s honesty. Her father’s pending promotion to Division Engineering Manager could be affected.

**Melissa’s Weekend Research**

On Saturday morning, Melissa researched both the IM A Statement of Ethical Professional Practice and specific provisions of the FCPA. She took note of what she felt were the relevant provisions of each resource.

**IMA Statement of Ethical Professional Practice.**

The ethical principles in the IM A Statement include honesty, fairness, objectivity, and responsibility. Being a member of IM A® (Institute of Management Accountants) and a CMA, Melissa understood that she should act in accordance with the principles in the IM A Statement and encourage others within Watson’s SEC Reporting Group to adhere to them. The standards include competence, confidentiality, integrity, and credibility. Melissa felt that confidentiality and integrity were important to her decision about what action she should take, if any. She recalled her MBA studies, where she learned about the Enron scandal and how key employees knew about the improper business practices but didn’t take any action to challenge what was happening. Melissa didn’t want to be a part of a similar incident.

**The Foreign Corrupt Practices Act.** Essentially, the FCPA makes it illegal for a representative of a U.S. company to bribe foreign officials to procure a contract. Part of the statute reads:

“It shall be unlawful for any issuer which has a class of securities [regulated by the SEC], or for any officer, director, employee, or agent of such issuer or any stockholder thereof acting on behalf of such issuer, to make use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay, or authorization of the payment of any money, or offer, gift, promise to give, or authorization of the giving of anything of value to any foreign official for purposes of:

• influencing any act or decision of such foreign official in his official capacity,
• inducing such foreign official to do or omit to do any act in violation of the lawful duty of such official,
• securing any improper advantage; or
• inducing such foreign official to use his influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality, in order to assist such issuer in obtaining or retaining business for or with, or directing business to, any person.”

**Melissa Talks with Her Father**

On Sunday, Melissa visited her parents. Sundays were usually times for sharing and celebration in the Parks family. This time, however, Melissa was nervous because she knew she had to discuss with her father what she should do, and she didn’t know what he would say.

After the family finished dinner, everyone moved to the living room, sitting comfortably and relaxing. Now in his 15th year with the company, Melissa’s father, Joshua, had been informed that he would be promoted to Division
Engineering Manager in the coming year.

“Dad, do you know Tom Bedinger in the Sales Division?” Melissa asked while stirring her coffee. She stared at the cup, deep in thought.

“Of course. He’s a smart young man. I’ve known him since his first day with us. He’s very good at what he does. His team closed the deal for ‘Grow Africa’ recently. They did a marvelous job. Watkowski was very pleased.”

Melissa decided to dive in. “I need your advice on something I heard Tom say about the Grow Africa project.” Melissa paused, trying to figure out how to tell her father, “I overheard him talking about the project on Friday in the break room.”

Melissa’s voice trailed off for a second, and her father couldn’t help but notice her knitted brow and disappointed tone. He knew something was bothering her. He moved closer and asked, “What did you hear?”

“Tom mentioned that they closed the Africa deal with the aid of a special fund used to bribe government officials…” Melissa looked at her father and tried to notice any tiny change on his face. “It sounds like they have a special fund that has been used for a long time. If what Tom said was true, it’s really disturbing. This is clearly unethical and violates the FCPA. We all know how bad the results could be if such wrongdoing is revealed. Enron, WorldCom, and many business giants have collapsed because of corruption and bribery. WWT could have to pay millions in penalties and negative public relations.”

There was a long silence in the room. Finally, her father asked, “Is it possible you might be misinterpreting things? Are you sure you heard him correctly?”

“I heard it clearly, but I didn’t verify it with Tom,” Melissa answered. “Later, I talked to Bradford Wagner, my team leader, who said I should keep it to myself.”

Melissa’s father sighed and thought for a second. “He’s probably right. What can you do with just a few words that you overheard in a break room? Above all, think about your own future. This is only your second month at the company. You have a promising job with great room for advancement. You’ve been preparing for this position for years. If you talk to others about this, your career could be ruined—and mine, too!”

Melissa’s heart sank. “I do value my career, which is why I’m so concerned now. I don’t want to cause trouble for you, me, or the company. But I have professional ethical obligations. And you sent me to college and paid for my education so I would learn how and when to do the right thing. You encouraged me to become a CMA, where I learned ethical standards that I’m now required to obey. I know the right thing to do, but it could be painful, dangerous, and contribute to the destruction of my own career.”

Disappointed and still no closer to a decision, Melissa said her goodbyes and got ready to head home. As she headed out the door, her father said, “Be careful, dear. Don’t do anything you will regret.” Melissa didn’t sleep well that night.

**Melissa’s Quandary**

After her research and the conversation with her father, Melissa thought deeply about her moral and ethical obligations and the problems that could arise if she became a whistleblower. She knew there were protections for whistleblowers, but she sensed that her career path could be severely hampered if she went outside the company to communicate this incident.

Melissa also wondered about the best path to take if she pursued the issue internally. Her supervisor, Bradford, didn’t support her taking any action. In fact, his comments on Friday could be interpreted as a threat regarding his 90-day review of her performance. If she didn’t follow his advice, she might not be working at WWT much longer. That would be a big disappointment to her father and to herself because she had worked so hard to get a job there.

On the train to work Monday morning, Melissa began to doubt herself. Maybe she did misinterpret what Tom said in the break room. Maybe it was just a joke as Bradford suggested. Maybe it would be easier to just let it go.

Before moving forward, Melissa felt compelled to investigate her suspicions. Was her interpretation of the conversation correct? Does she really have an obligation based on the IMA Statement of Ethical Professional Practice? Is there really a slush fund? If Melissa contacts you as a fellow CMA, what advice would you give her about how to proceed? **SF**

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