

## **Where the Green Grass Grows** **(Case 1002)**

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### **The Case:**

Ralph Horn was an engineer working for the Gamma Group, a national specialized engineering firm with headquarters in Boston and branch offices in Winston-Salem, New Orleans, Chicago, Salt Lake City, Boise and Seattle. He had started working for the firm in their Chicago office immediately after receiving his MS degree in engineering from a noted midwestern university in 1982. His wife, Karla, also started her career in financial computing systems about the same time. Ralph was a diligent worker, and handled most of the projects to which he was assigned efficiently, producing technically excellent reports and designs. As a result, by 1991 he advanced to a project manager position in the firm and was considered to be one of the office's most valuable employees by the firm's president, Dirk Wheeler.

In 1994, Ralph's wife, Karla, decided that her career had stagnated and after searching around, found a much more attractive position paying almost twice her present salary in Omaha, Nebraska. She accepted the position and Ralph was forced to make a career move himself if he planned to preserve their marriage. Since his firm did not have an office near Omaha, he approached his manager and together they made a proposal to the firm's president, Dirk Wheeler, to open a small branch office in Omaha under Ralph's management. The proposal was accepted and the Omaha branch was set up. By 1996 that office had 18 employees, including 10 engineers, two CADD operators, three technicians, a secretary/receptionist, a bookkeeper and Ralph, who was the principal engineer and branch manager.

The business was reasonably profitable and Ralph had attracted several substantial clients. In addition, the work forecast for the future, estimated to be on the order of \$1.3 million, looked most promising. At that point Ralph was approached by Dirk Wheeler, who had been suddenly fired by the Gamma Group in 1995 for attempting to sell the entire company to an entrepreneurial conglomerate without the consent of the stockholders.

Wheeler had subsequently become involved with Compass Associates, a general engineering company with several offices in the mid-section of the country, but not in Omaha. Compass was interested in having an office in Omaha capable of providing the same type of specialized engineering services as Ralph's Gamma Group office. Dirk Wheeler was interested in the same goal so that he could secure a position with Compass, and offered to make an arrangement with Ralph to open a wholly owned subsidiary of Compass in Omaha with Ralph as the manager and Wheeler as the subsidiary's president.

While Ralph was not sure that he wanted to be involved in such an arrangement, Karla pointed out that the salary and potential bonuses with Compass would be far greater than what he was receiving from the Gamma Group, there would be less stress on him about acquiring new business since Wheeler was a born salesman, and Wheeler had provided the opportunity for them to move to Omaha in the first place.....obviously he liked Ralph and would look out for him. Just to make sure, Karla agreed with Dirk Wheeler that Ralph should work part-time for Compass for two or three months to get things set up before leaving the Gamma Group.

As a result, about three months later Ralph announced to the personnel in the Gamma Group's Omaha branch office at 3:00 p.m. on a Friday that it was his last day there, and wished them well, telling them that he was transferring to Compass Associates to do the same kind of specialized engineering work for them. At the same time, Dorph Klingstad, one of the more senior engineers in the same Gamma Group Omaha office, announced that he also was leaving to go to work for Compass with Ralph, and they expected to be working on projects for the same clients as they presently served.

Needless to say, not much more work was accomplished that day as Ralph and Dorph cleaned out their offices and departed, and the rest of the staff spent their time in small groups discussing this sudden turn of events and what was to become of each of them. One of the engineers called Gamma's main office in Boston to see who was going to replace Ralph, and was told that it was the first they had heard of Ralph and Dorph leaving. As a result, there were no specific plans at the moment, and it would be several days or more until Gamma's management could unravel the events and plan for the future of the Omaha office.

Over the weekend, Ralph's wife, Karla, spent a substantial amount of time on the telephone talking to most of Gamma's Omaha office employees, telling them that since Ralph and Dorph had now left, there would be no one to bring in new business, and the existing clients would most certainly follow Ralph to the new Compass Associates office. She also extolled the virtues of Compass Associates, including what a good place it would be to work, and suggested pointedly that if they were interested in maintaining their income, they should commit to transferring to Compass Associates as well.

By the end of the following week, everyone in the old Gamma Group Omaha office except the secretary, one of the technicians and one of the CADD operators had resigned and gone immediately to work for Ralph and Dirk in the new Compass Associates office a block down the street.

Issues: (1) If you had been one of the engineers in the Gamma Group Omaha office, what would you have done in this situation? (2) How do you feel about Ralph's actions?

## Alternate Approaches and Survey Results for “Where the Green Grass Grows” (Case 1002)

### **Issue 1: As one of the engineers in the Gamma Group Omaha office, I would have:**

1. Waited to see what the Gamma Group main office provided for continuity of the business, including who would be the new branch manager, and how many clients stayed with Gamma as opposed to going with Ralph to Compass Associates.  
Percentage of votes agreeing: 0%
2. Called the president of the Gamma Group at home in Boston as soon as I hung up the telephone after Ralph’s wife Karla had called to warn him of the things that were taking place.  
Percentage of votes agreeing: 35%
3. Called each of the clients that Ralph had been working with to find out if they intended to transfer their projects and future business to Compass Associates, as Ralph had indicated they would.  
Percentage of votes agreeing: 4%
4. Called the president of the Gamma Group at home in Boston as soon as I hung up the telephone after Ralph’s wife Karla had called to ask him what he intended to do about the situation and what my future with Gamma was going to be.  
Percentage of votes agreeing: 13%
5. Talked with the rest of the Gamma Omaha staff over the weekend to form a unified action group, and informed Gamma’s main office in Boston that it was time to choose a new branch manager from among the group, negotiate raises and provide new fringe benefits and upgraded working conditions for the group if Gamma expected to keep the Omaha office operational.  
Percentage of votes agreeing: 9%
6. Called the president of the Gamma Group at home in Boston as soon as I hung up the telephone after Ralph’s wife Karla had called to advise him of the things that were taking place and to offer to take over as the interim branch manager until the corporate office could make satisfactory arrangements for the office.  
Percentage of votes agreeing: 39%
7. Called Dorph to find out what kind of deal he made with Compass Associates, and then call Ralph to tell him that you are willing to go to Compass with him as long as you can make a similar deal (or better). After all, you do not owe the Gamma Group anything, and the best way for professional and financial advancement is to be willing to move from company to company when the right opportunity presents itself.  
Percentage of votes agreeing: 0%

## **Issue 2: How do you feel about Ralph's actions?**

8. Ralph was smart to have kept in touch with Dirk Wheeler and promote the opportunity to transfer to Compass for what must be a substantial increase in salary. If you aren't willing to help yourself further your own career, who will?  
Percentage of votes agreeing: 3%
9. Ralph was clever to let his wife call all of the Gamma employees over the weekend to persuade them to transfer to Compass Associates. It would be very difficult to perform work for his clients without the help of the technical staff, since Compass did not have much of any staff at this new start-up location, nor did any of the rest of Compass Associates' offices have experience with this type of work. By allowing Karla to call the Gamma employees, no one could say that Ralph had coerced them into transferring companies.  
Percentage of votes agreeing: 0%
10. Ralph was wise to have worked on a few projects with Compass prior to transferring, in order to see if it would be possible to do work for clients under the Compass Associates' management setup should he decide to change companies, since Compass did not have Ralph's type of technical expertise and experience with similar types of projects.  
Percentage of votes agreeing: 0%
11. Ralph should have kept his wife, Karla, from calling the Gamma employees over the weekend. They knew that Ralph was setting up a new group at Compass and that he would need their type of expertise. Each of them could contact Ralph or Dirk Wheeler directly, if they wanted to.  
Percentage of votes agreeing: 15%
12. By working on projects for Compass for two or three months before leaving the Gamma Group, Ralph was moonlighting without Gamma's permission, which is unethical.  
Percentage of votes agreeing: 49%
13. If Ralph wanted to leave the Gamma Group, he should have talked with Gamma's president a sufficient time before his resignation to allow Gamma to make a relatively smooth transition, since Ralph was the Gamma branch manager.  
Percentage of votes agreeing: 33%
14. Ralph was wise not to talk to Gamma's president before resigning. If he had, Gamma would have anticipated the possibility of Ralph taking clients with him and would have taken steps to prevent that from happening, which would have seriously decreased Ralph's ability to make a success of his new operation at Compass Associates.  
Percentage of votes agreeing: 0%

## Forum Comments from Respondents

### **Issue 1: What to do as one of the engineers in the Gamma Group Omaha office:**

1. While the Gamma home office should be given a chance to react to and rectify the situation with the help of the remaining Omaha staff, it must occur quickly to avoid real tendency of the staff to “cover their a\_\_” and bail out.
2. Immediately upon Ralph’s announcement, gather the members of the Omaha office together and place a conference call to the President of the Gamma Group to apprise him/her of the situation. Explain the surprise of the staff at the announcement, and explain that we need immediate direction to keep the office moving. Our livelihoods, as well as the company’s business, are at stake.
3. Unless Gamma makes commitments to the remaining Omaha staff immediately, they should be free to take whatever opportunities come their way.
4. Do not go to work for Ralph. His actions were intentionally deceptive. He obviously has no loyalty toward his employer, and I would expect none from him to me!
5. Word spreads fast in the professional world. If I went to Compass and ever wanted to leave, what kind of reputation would I have since I was directly associated with them?
6. Mention to the rest of the Omaha staff that what Ralph had been doing was unethical, and might even be illegal. They might want to think about being associated with illegal activities should they decide to follow Ralph immediately.
7. I would not want to be associated with people like Dirk, Ralph and Dorph. If they treated the Gamma Group as they did, how would they treat me in the future?

### **Issue 2: Opinions regarding Ralph’s actions in the situation:**

1. Ralph should have declined Dirk Wheeler’s offer to switch firms, and focused on Gamma Group’s business. The fact of Wheeler’s dismissal from Gamma should have been sufficient indication to Ralph that Wheeler had a severe lack of business and professional ethics.
2. Since Ralph was the branch manager for Gamma, he should have talked with Gamma’s president a sufficient time before his resignation to allow Gamma to make a relatively smooth transition.
3. As Gamma’s designated manager in Omaha, Ralph was the employer, and the staff had no obligation to initiate back-channel communication with the corporate headquarters. However, as the staff’s “employer”, Ralph had an obligation to advise the firm of his departure and to assist the firm in its obligation to sustain the opportunity for the Omaha staff to have or to find equivalent employment.

4. By working on projects for Compass before leaving the Gamma Group, Ralph was moonlighting without Gamma's permission, which is quite unethical.
5. The lack of notice to Ralph's company (Gamma) is very unprofessional. There is not much we can do about clients following their former contact, but to destroy and entire office is not forgivable. This should go to the Board of Registration for review of Ralph's professional license.
6. Ralph should have shown his "friend" (Dirk Wheeler) the door. He left a company which had supported him by setting up a branch office so that he could solve a problem with his personal life, as well as provide new career opportunities, only to become a shameless mercenary! How much trust and respect does he think he has gained for himself and those around him? It is unlikely that the Gamma Group is going to lay down and play dead! Does a good reputation count in the business world?
7. Ralph should not have allowed himself to be so easily influenced by his wife. It is high time for Ralph to get rid of Karla!
8. The Gamma Omaha office staff knew of Ralph's intentions. They could contact him directly individually, if they wished, without Karla's intervention.
9. In my opinion, Ralph, his wife, Dirk and Dorph are about as unethical as most managers I have seen in my technical life. Unfortunately, they have become the rule, not the exception.

## Epilogue

As it turns out, the Gamma Group did not take the situation lying down. It determined that since Ralph's actions in taking virtually the entire Gamma staff with him to Compass within a very short period of time (a week) had ruined Gamma's opportunity to sustain business at its current level, such action was illegal. Gamma was also able to establish that Ralph had acted with the knowledge and assistance of Dirk Wheeler and others in the corporate management at Compass.

As a result, Gamma brought suit against Compass and against Ralph Horn separately, each for \$1.4 million, which was the estimated cost to Gamma to recover their lost business, hire and train new employees and redevelop a comparable backlog of business. After several months of negotiations, a settlement was reach wherein Compass agreed to pay Gamma \$700,000 in cash. Gamma did not press the suit against Ralph Horn individually.

Subsequently, Dirk Wheeler's involvement with Compass as the president of the new subsidiary evaporated. Also, after a year or two Ralph Horn was no longer employed with Compass, and eventually went into limited practice by himself, without much real success.