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BY LAURA W. GELLER

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For outsiders observing a scandal at a company or organization, the situation often seems implausible or incomprehensible. How did leaders let it happen? Why did so many people go along with the wrongdoing? And why did it go on for so long?

The view from inside a scandal-plagued organization is considerably different. We know that, in business as in life, good people sometimes do bad things — whether it's a small lie or a giant fraud, a one-time act of dishonesty or an ongoing deception.



Maryam Kouchaki

Maryam Kouchaki, an assistant professor at Northwestern University's Kellogg School of Management, has made understanding this phenomenon a prominent theme of her academic career. After studying physics as an undergrad in Tehran, and earning an MBA along the way, Kouchaki came to the U.S. in 2007 to pursue a Ph.D. in organizational behavior at the University of Utah's David Eccles School of Business. After two years as a postdoctoral fellow at the Edmond J. Safra Center for Ethics at Harvard University, she joined Kellogg in 2014.

Kouchaki studies the causes of unethical behavior, with a particular focus on how psychology and human nature come into play. She's found that anxiety-inducing music makes people more likely to cheat, for example, and that cheaters are more likely to have fuzzy memories of their misdeeds. But she's not simply interested in documenting and diagnosing our failings. In Kouchaki's view, we humans may be hardwired to react and behave in certain ways that may not always make us proud, but we are by no means a lost cause. And so she looks for interventions that can help people behave morally and become emboldened to speak up when they witness wrongdoing.

Kouchaki has also researched how ethical breakdowns affect individual employees and organizations. As she explained in a recent interview with *strategy+business*, because people (herself included) spend a large amount of their time at work, their actions there are closely intertwined with their identity. Thus even a small unethical request can have significant implications. The result can be a vicious circle —

one that Kouchaki strives to make more virtuous.

S+B: What can make people more susceptible to ethical lapses?

KOUCHAKI: When we look at scandals retrospectively, we can always identify a number of contributing factors. They may be subtle and even sometimes seemingly irrelevant, but can have profound effects on individuals' moral behavior and decisions. We are all susceptible to dishonesty; it can happen to any one of us at any level, in any type of organization.

For example, I often hear from employees that they feel exhausted and stressed. Their anxiety may come from managing unrealistic goals. It can result from performance pressures or competition. Or it could be that their organization is going through a transformation with many unknowns.

Under normal circumstances, people think rationally about benefits and costs when making decisions. But when people feel pressured, it can deplete the resources they need to act morally and resist temptations. It can put them in a state of threat. And when people are in this position, they are more likely to engage in self-interested behaviors that they would otherwise avoid. Because in that moment, the brain goes into defensive mode — people are thinking only about their benefits in the short term.

In one experiment, my colleague [UNC's Sreedhari Desai] and I had some participants listen to anxiety-inducing music, and others to more calming or neutral music, while playing a game. We found that those who were listening to anxiety-inducing music were more likely to cheat. In another study, we

asked participants to think about a time when they felt pressured and anxious. Even just recalling those instances made people more likely to be dishonest. Elsewhere, through survey data from supervisors and employees, we found a correlation between those who describe a higher level of anxiety and those who were reported by their managers to have engaged in unethical behavior.

S+B: Corporate scandals often reveal a pattern of unethical behavior. What drives people to be dishonest repeatedly over time?

KOUCHAKI: This is an area of research that we don't know much

people to forget about what they've done. And, in fact, in a number of studies [with Harvard's Francesca Gino] we've found evidence for what we call *unethical amnesia*. Over time, people's memory of their past unethical actions becomes less detailed and less vivid compared to other types of actions [that are positive or more neutral]. We gave people the opportunity to cheat in a game; if they misreported their performance, they could earn more money. A few days later, we asked them to recall the details of the game. We found the memories of the participants who cheated were less clear than those who did not.

“Over time, people’s memory of their past unethical actions becomes less detailed and less vivid compared to other types of actions.”

about, especially when it comes to organizations. One assumption could be that there are bad people, and that those people, no matter what, do bad things. But the notion that only bad people behave unethically is false.

There's been research on unethical organizational cultures, and obviously such cultures sustain repeated bad behaviors. Other research has shown that there are various things people might do to overcome the dissonance they feel when it comes to dishonesty. Among the more powerful is justification: They justify their bad behavior, for example, by dehumanizing the victim of their dishonesty.

I set out to determine if it is also possible that this dissonance leads

This motivated forgetting helps people to eliminate or reduce feelings of threat, and in so doing, the distress and dissonance.

S+B: You've also studied how the “dark side” of creativity can contribute to dishonesty.

KOUCHAKI: Encouraging creativity is critical for organizational learning and innovation. However, we have to think about what else comes along with creativity. For example, it can create a sense of entitlement, a feeling that “I deserve more than others.” In some ways, other people's behavior reinforces this feeling in creative people. We treat them as special, and we hold them to a different standard. Then, when people think they are special, they start to

think they can break rules and not be punished. There is a link between feeling entitled and being dishonest.

In one study [with Syracuse's Lynn Vincent], we asked participants to fill out a survey that gave them feedback about their personalities. Some were told they were “creative” and others “practical” [defined for the purposes of the study as “non-creative”]. We then randomly assigned each participant to one of two groups where their respective personality was rare or common. When we asked participants to complete a task in which they had opportunity to lie, people who were identified as creative and who were rare in their group were more likely to behave unethically than creative people in a group where everyone was creative. Practical people were less likely to lie than were creative people, and also behaved the same whether they were with other practical people or with creative people.

To avoid this phenomenon, leaders should establish what types of risk-taking or rule-breaking behaviors are acceptable, and warn against ignoring moral guidelines. And they should emphasize the idea that creativity is something everyone can tap into — a skill people can learn.

When creativity is seen as common, it doesn't necessarily lead to creativity also being seen as less valuable. It is still celebrated. But when we think we are all creative or can become creative and encourage that mind-set, it reduces feelings of entitlement and dishonesty.

S+B: What happens when employees are pressured to cut ethical corners?

KOUCHAKI: Let's say I'm an employee and I feel pressured to behave

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badly at work. I'm more likely over time, as a defensive strategy, to segment my identity. We each have multiple identities that we could be at any moment. When our identities are integrated, they are in sync. When our identities are segmented, we feel like our various selves are in conflict.

For example, I've found that just receiving requests from managers to do something unethical, and contemplating such requests, can influence employees' motivation and performance. Being asked to lie, cheat, or otherwise behave unethically doesn't just influence your morality, it also influences the meaning of your work. And this is important, because if people see their work as meaningless, they will become disengaged and unmotivated to improve — and more likely to do bad things. Moreover, they would want to have their home life and their work life separate, thinking, "If I integrate my identities, I would feel badly all the time."

S+B: Disengaged employees may not be motivated to speak up when they witness wrongdoing. How can leaders counter that effect?

KOUCHAKI: Corporate scandals show people's reluctance to speak up about unethical behaviors in the workplace. I've been very interested in the question of moral muteness and am working on a number of projects that examine solutions. Interestingly, given my research about creativity and entitlement, I'm currently working on a project that shows how encouraging creativity can also lead to speaking up. Creativity is about engaging in behaviors that are outside of convention and require the appearance of confidence. In this way, creativity not

only helps individuals think outside the box but also helps them speak outside the box.

Another factor I've looked at is authenticity. We discussed earlier why people may behave badly when they feel pressured. When their key resources are threatened or lost, they experience stress and fear, and they become defensive. They are in survival mode. Employees need the psychosocial resources to balance the typical psychological barriers to doing the right thing, and to feel encouraged to speak up.

Authenticity has been shown to be such a resource. It is about owning your personal experiences, thoughts, feelings, preferences, and beliefs and behaving according to one's true self and personal values. And it's about people discovering and expressing their true self — regardless of other people's concerns. The literature has shown the psychological benefits of authenticity. It leads to self-esteem, hope, and other personal, positive effects. In my research, I've found that encouraging authenticity can also lead people to speak up, to feel less stressed, and to engage in better behaviors. And I've found that integrated identities lead to greater feelings of authenticity and better moral behavior, compared with segmented identities, which lead people to feel less authentic and thus to a higher likelihood of behaving unethically.

S+B: How can people stay authentic?

KOUCHAKI: I'm working on a study now in which employees complete a simple exercise early in the morning [in which they think about their personal values and beliefs and their true self]. For two weeks, I have them respond to three different surveys daily that ask them to reflect on

their activities and experiences. I don't have that data yet, but I'm very optimistic that it will be an effective way to help people to stay authentic.

When I teach my MBA students about ethics, I focus on self-reflection — actively recognizing when one does something wrong or right. Of course, admitting, even to ourselves, that we've done something bad is difficult. For real learning to happen, leaders have to make people feel psychologically safe. Employees need to believe that their team and their organization are places when they can learn from their mistakes, and even from their moral failures. +

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