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ROTTEN APPLES, BAD BARRELS AND STICKY SITUATIONS

An evidence review of unethical workplace behaviour

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Research report

Rotten apples, bad barrels and sticky situations: an evidence review of unethical workplace behaviour

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(1) **Foreword**

Ethical issues have been front and centre of the 24 hour news-cycle for many years. From Deepwater Horizon, to the Panama Papers and the LiBOR scandal, ethics and the appropriateness of decisions by senior business leaders has become a topic of real debate. Most recently the UK has been rocked by the high-profile failure of Carillion, a key supplier of UK government contracts, and a significant pensions scandal at high-street retailer BHS. Not only are these ethical issues clear signals of failures in governance and compliance, they're also a leading indicator, and cause of falling trust. Trust in business, trust in government, and trust in the regulations and systems designed to protect individuals and the economy.

It's widely acknowledged that codes alone will not fix the chasms between espoused values and real actions. A critique of the recent past is that ethical issues have arisen even in systems in which the right checks and balances are in place: clear corporate values, comprehensive regulatory frameworks, strong governance structures. The reality is that codes and the tools to support them are not enough, and over-reliance on them create blind-spots and inaction. Instead we must reflect on the nature of ethical breaches and look deeper into where they come from, what they consist of, and how they play out. This idea is what we've developed in this research, by looking into academic literature and surfacing the evidence describing ethics at work today.

Looking at the media you would think the likelihood of ethical breaches occurring is moderate to low – occasionally a business is faced with a critical issue. Of course, the opposite is true. We know from our own People Profession survey that these issues are more common than we think; just under a third (31%) of people professionals say that managers in their organisations often demonstrate unethical behaviour, and a large minority of people professionals find themselves in positions where the organisation's expectations are at conflict with their professional beliefs (28%) (find out more at cipd.co.uk/people-profession-survey). The challenge of maintaining a strong ethical climate is something which many people professionals tackle through their professional practice. Our members are on the front line of ethical issues when they arise and are often the experts called on to fix issues and bring stability back to the business.

This research is designed to highlight and critique the evidence surrounding ethical issues in organisations today and provide pointers to people professionals and their senior stakeholders as to how to navigate these so-called 'sticky-situations.' Only by diving into high quality, robust and relevant research can we properly map the terrain and provide effective support and guidance. We hope that through this work we offer insights that enable people professionals to continue to guard against ethical issues and act as and when they arise. We know that their unique expertise and effective leadership are critical to changing business practice for the better.

Ed Houghton
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(2) **Executive summary**

Workplace ethics have never been long out of the public spotlight over recent years. Following various workplace scandals, attention has turned to reforming corporate governance, increasing regulation and raising industry standards, and how to build better business cultures. Despite this, corporate scandal persists, and trust in businesses continues to be eroded by issues such as executive pay.

To build more ethical businesses, it is also important to understand the organisation-level risk factors that contribute to unethical behaviour. This understanding provides an avenue through which business leaders and HR professionals can target intervention in the day-to-day running of organisations. This report investigates how employers can foster ethical behaviour by asking three questions:

1 To what extent is unethical behaviour the result of individual choices?
2 To what extent is unethical behaviour the result of organisation or industry-wide problems, in particular organisational culture or ingrained norms of behaviour?
3 To what extent is unethical behaviour due to the difficult or compromising nature of decisions that people face?

The report is based on a rapid evidence assessment (REA) that can be found at **www.cipd.co.uk/ethicalbehaviour**. The REA identified a large body of research on the drivers of ethical and unethical workplace behaviour. In this report we explore the key findings and discuss the implications for people professionals and businesses.

We identify nine main areas of actions employers can take that, based on the best available evidence, are most likely to have a positive impact on workplace ethics. We summarise these below.

1 Consistently enforce codes of conduct
- Develop a code of conduct that is accessible, meaningful and uses concrete examples of ethical behaviour to reduce ambiguity about what is acceptable and what is not acceptable.
- Reinforce the code of conduct through core training that encourages employees to consider the ethical outcomes of decisions and reinforces individual responsibility.
- Enforce the code of conduct consistently and fairly across all employees.

Codes of conduct provide important reference points for and reminders of ethical standards, but if they are not actively enforced they will do little to promote ethical behaviour. Training on codes of conduct should not be a one-off exercise; for example, it should be present in induction training and ongoing professional development. Consistent enforcement is especially important considering that high performers are less likely to be reprimanded for acting unethically.

2 Communicate carefully about unethical behaviour and ethical standards
- Communicate carefully about the extent of ethical issues: be transparent about challenges but avoid creating a sense that 'everybody else is doing it'.
- Pay attention to the way messages are framed – emphasise what's to gain from ethical standards, rather than what's to lose from unethical behaviour.
- Senior leaders should reinforce positive norms by role-modelling ethical behaviour and through the messages they communicate.
- Give reminders of the importance of ethical behaviour and target these in high-risk situations.

Organisational norms – the way things are done in a business – are an important influence on behaviour. The behaviour of others is an important cue – especially from senior leaders – and unethical behaviour can be contagious. Timely reminders can make a clear difference on ethical behaviour, especially in circumstances when there is pressure to behave unethically. Based on an understanding of who is most at risk and when, reminders can be targeted at groups or situations in which unethical behaviour is more likely – for example employees working in high-pressure or competitive environments.

3 Focus on ethical climate and the organisational practices that shape it

- Focus on climate rather than culture; ethical climate is influenced by tangible factors and is linked to a variety of outcomes.
- Seek to understand what type of ethical climate your organisation has – for example, egoistic, benevolent or principled.
- Reflect on how the organisation's systems, procedures and informal practices shape ethical climate and culture.

'Culture' is often referred to as a factor that explains unethical behaviour, but the concept of culture can be nebulous. Instead, organisations can focus on understanding and shaping their ethical climate, which is influenced by tangible factors such as practices and procedures. Ethical climate is also linked to other outcomes such as job satisfaction and employee well-being: when the norm is to act in self-interest and neglect the interests of the wider community, colleagues suffer as well as ethical standards.

4 Promote organisational fairness and challenge political behaviour

- Assess employee perceptions of politics and fairness, for example through a survey and focus groups.
- Review policies and practices to ensure they are fair.
- Monitor political behaviour, challenging it when it becomes unhealthy.

Employees are more likely to act unethically when they perceive their organisation to be unfair: for example, if reward isn't shared fairly, or policies are inconsistent. Fear and instability also play a role: feeling that one must cover one's back or that decisions always lie with powerful others can lead to unethical behaviour.

5 Understand and manage the impact of personality and mood

- Beware of passive states of mind, including fear, frustration and complacency, and make employees aware of biases in decision-making. Providing training and guidance on these biases and enhancing meta-cognitive skills can allow individuals to catch themselves when making decisions without being aware of potential ethical consequences.
- Foster enthusiasm and other active states of mind by creating a sense of agency and responsibility.
- Making recruitment decisions solely based on personality profiles alone is not recommended. But, understanding individual strengths and development areas can ensure individuals are given appropriate roles and responsibilities.
- Raising awareness of the impact of personality and mood can help managers use reminders and checks and balances more effectively.

Personality traits (such as narcissism) and passive moods (such as frustration) are linked to unethical behaviour. Individuals who feel that they have little control over the outcome of their actions (also known as external locus of control) are also more prone to unethical behaviour. In contrast, traits such as high self-esteem and authoritarianism can protect against unethical behaviour occurring.

The 'dark triad' personality traits of Machiavellianism (for example being manipulative), psychopathy (for example impulsiveness and lack of remorse) and narcissism (for example low empathy) are also a risk factor. How this translates into practical action is not straightforward – for example, it may not be appropriate to select people based on these traits. However, raising managers' awareness that some personalities are more prone to unethical behaviour may help. This is especially true for those with an external locus of control, which has potential negative impacts on a wide range of outcomes.

6 Manage the risk factors related to job design
- Where possible, design jobs that are stimulating and ensure workload is manageable.
- Understand the risk factors related to different types of job to inform where to target interventions on ethical behaviour – from ethical training and reminders to checks and balances and whistleblowing channels.

Job design can influence unethical behaviour. In monotonous roles, there is a risk of 'going on autopilot' and not picking up on ethical issues. In high-pressure roles, people are more likely to take shortcuts to get results. Finally, where individuals are removed from the consequences of their decisions, unethical decision-making is more likely. Considering such aspects of jobs gives an understanding of potential pressure points at which employers can target interventions, such as moral reminders.

7 Ensure targets are realistic and reward is linked to multiple complementary outcomes
- Ensure objectives are realistic, and that rewards are not only linked to short-term outcomes.
- Avoid pitting employees against each other and keep promotion processes fair and transparent.
- Target interventions such as moral reminders at high-pressure situations.

Hard-to-reach and short-term goals can put undue pressure on employees, which can increase the risk of unethical behaviour. This risk is higher in competitive environments or when combined with performance-related pay. In these circumstances, employees become more likely to ignore ethical consequences, instead focusing on potential short-term benefits.

8 Create accountability and introduce checks and balances in decision-making
- Create management structures that hold people accountable. Provide checks and balances where decisions are made in isolation.
- Encourage evidence-based practice to ensure decisions are made based on a range of factors, considering stakeholder concerns and a wide range of evidence.
- Consider how behaviour can be monitored effectively and constructively, without leading to micromanagement or eroding trust.

Monitoring can encourage individuals to bear in mind ethical aspects of decision-making. When people lack supervision or work in isolation, they are more likely to act unethically. The same is true when the consequences of unethical behaviour are far removed from the employee – for instance, when they won't see the impact of the decision or behaviour on a customer. And, leaders who have clear accountability are less likely to sanction unethical behaviour.

Promoting evidence-based decision-making, encouraging critical thinking and judicious use of evidence reduces reliance on gut feeling or experience and brings considering stakeholder concerns to the forefront.

9 Empower employees to speak up and provide safe whistleblowing channels
- Provide safe effective whistleblowing channels for employees to report issues or raise concerns, raise awareness of these channels and set a clear expectation that they will be used.
- Support employees in all parts of the organisation to be capable and confident to raise ethical issues, for example through guidance and training on how to challenge ethically questionable decisions or practices.

Individuals need to assume responsibility for actions and be confident and willing to challenge. From senior leaders to front-line employees, there should be an expectation not to compromise ethics by following the path of least resistance.

> *As experts in people and change, people professionals have a key role to play. Not only are they well placed to understand and shape workplace behaviour, policies and procedures, but also to role-model ethical decision-making in their own practice.*

Looking across these eight areas, it is clear that the causes of unethical behaviour are complex; there is no silver bullet that can eradicate such behaviour. But, by understanding these organisational, situational and individual-level factors, business can take evidence-based action to mitigate them.

As experts in people and change, people professionals have a key role to play. Not only are they well placed to understand and shape workplace behaviour, policies and procedures, but also to role-model ethical decision-making in their own practice.

This, alongside wider corporate governance reforms and a shift away from the short-term focus of many businesses and the tendency to put profit before broader stakeholder interests, can minimise the risk of unethical behaviour and the negative impact this has on employees, business and wider society.

③ Introduction

Business ethics: the state of play
Attention to corporate ethics has grown continuously over recent decades, and in the years since the 2008 financial crisis, many organisations have renewed their focus on transparency, corporate governance and rebuilding trust. This attention has gone hand in hand with developments in voluntary and statutory regulation.

Many industries have seen the continual growth of corporate social responsibility (CSR) and ethical trade standards as strands of management strategy, supported by initiatives such as the United Nations Global Compact at an international level and Ethical Trading Initiative in the UK. The UK has also seen the development of the Financial Reporting Council's Corporate Governance Code, which sets standards of good governance practice.[1] Interest has also grown from investors in the role of firms in creating long-term value through sustainable behaviour, and environmental, social and governance investors are now engaging firms directly on ethical workplace practices, with a focus on management and leadership.[2]

There has also been growth in the ratification of International Labour Organization conventions internationally and the establishment of enforcement agencies such as the

Gangmasters Licensing Authority (now the Gangmasters and Labour Abuse Authority) and more recently the Financial Conduct Authority and Banking Standards Board in the UK. While not without limitations, these regulatory developments are a clear indicator of concerted attempts to normalise, embed and enforce higher standards of ethics in business.

Despite these developments, corporate scandals persist. They come in many forms, from misreporting of profit and loss (Enron and Fanny Mae), to sexual misconduct and safeguarding issues (Oxfam and the #metoo movement), manipulation of interest rates (Libor) and diesel emissions (Volkswagen et al), mis-selling of insurance (PPI), non-compliance with safety standards (BP and Halliburton Deepwater Horizon environmental disaster), substandard healthcare (Mid Staffordshire NHS Trust) and tax evasion and avoidance (the Panama Papers). Public trust in businesses has been further damaged in recent years by controversy over executive pay.

In other work, we have argued that reforms in corporate governance are desperately needed, such that they base decisions on values and outcomes for a wider group of stakeholders, instead of narrowly focusing on maximising shareholder value.[3] In this report, we focus on practical insights to help people professionals and business leaders tackle unethical behaviour in the day-to-day running of their organisations.

Understanding and tackling the causes of unethical behaviour

With each scandal, similar debates ensue: how were poor decisions and unethical behaviour allowed to go unchecked, and can regulatory oversight and prosecution prevent similar situations from occurring again? We can summarise these questions by focusing on three core factors:

- **'Rotten apples':** to what extent is unethical behaviour the result of individual choices?
- **'Bad barrels':** to what extent is it due to systemic, organisation or industry-wide problems, in particular organisational culture or ingrained norms of behaviour?
- **'Sticky situations':** to what extent is it due to the difficult or compromising nature of decisions that people face?[4]

Beyond this, we also need to consider how business models can inherently foster unethical behaviour.[5] The pressure to compromise ethical principles to meet business needs can be overwhelming,[6] and, as we discuss in our conclusion to this report, this raises profound challenges for how organisations view value creation, identify stakeholders, set governance structures and approach corporate reporting.

> *There is no silver bullet to eradicate unethical behaviour, but by better understanding what influences people's decision-making and behaviour, businesses can take evidence-based action to tackle it.*

In the meantime, employers and in particular HR professionals can make progress on ethical behaviour through people management interventions and leadership, promoting ethical values, mitigating risk and improving compliance with rules and standards. These areas are the focus of this research.

Tackling the causes of unethical behaviour should be a priority for businesses, and to do this in a focused and meaningful way, we need to understand why and how unethical behaviour occurs in the workplace. There is no silver bullet to eradicate unethical behaviour, but by better understanding what influences people's decision-making and behaviour, businesses can take evidence-based action to tackle it.

This report

This report investigates how employers can foster ethical behaviour in their organisations. We recognise that there can be tensions between short-term business gain and ethical conduct, but assume that broadly, employers want ethical organisations. This research does not address how social responsibility can be embedded with corporate strategy, despite this being a hugely important and related question. Rather, it centres on practical issues of compliance, risk management and human behaviour.

To do this, the report brings together the best available evidence on why unethical behaviour takes place in the workplace, and what can be done to reduce it.[7] The report is based on a rapid evidence assessment (REA), a truncated form of systematic literature review that is designed to identify, appraise and synthesise the best scientific evidence published in peer-reviewed journals.[8] This is in line with the principles of evidence-based practice, which proposes that drawing on robust, scientific findings alongside other forms of evidence – specifically, organisational data, professional expertise and stakeholder concerns – will help practitioners to take more effective decisions and achieve desired outcomes.[9]

First, we outline how unethical behaviour is defined in research and practice and provide an overview of the various ways unethical behaviour can manifest in the workplace. We then discuss the research evidence on five key areas that potentially influence ethical behaviour at work:

– individual differences
– organisational culture and climate
– leadership
– situational factors
– codes of conduct, communication and training.

Following this, we provide evidence-based recommendations for practice for people professionals and business leaders in order to minimise the people risk associated with unethical behaviour. Finally, we conclude by discussing the importance of shifting the short-term mindset apparent in some businesses and championing the importance of ethical decision-making for the good of businesses and wider society.

④ What is unethical workplace behaviour?

Unethical workplace behaviour can take several guises and vary in severity, from minor transgressions to large-scale illegal activity. It has been described as *'any organisational member action that violates widely accepted moral norms'.*[10] This variance is reflected in the range of definitions used in the scientific literature.[11]

One important form of unethical conduct is labelled **counter-productive work behaviour (CWB)**. CWB are actions that go against the legitimate interests of the organisation and its employees.[12] CWB is often driven by self-interest and may be illegal as well as infringing organisational codes of conduct. Examples include sabotaging operations, theft, fraud, sabotaging colleagues' career progression, deceiving customers, and bullying and harassment. CWB can also describe more passive forms of unethical conduct in 'withdrawal behaviours', such as lateness or absenteeism, not complying with rules, and shirking tasks or completing them to a poor standard.

Another important form is **unethical pro-organisational behaviour (UPB)**, unethical acts that are perceived to advance a business. Examples include price-fixing, accounting fraud, and withholding information from customers or the public to protect the organisation or to advance its interests and goals. With UPB, the moral aspects of a situation may be overlooked for organisational gain.[13] UPB may be especially apparent in organisations where an individual feels strongly connected to the business and benefits directly from business profit (for example through bonuses). These sorts of actions may not always be illegal, though of course, some individuals do break the law to benefit their organisation.

While behaviours that proactively harm individuals or organisations are conceptually different from behaviours where employees withdraw their effort or contribution at work, the two are often conflated in practice.[14] Research also suggests that both types of unethical behaviour share similar risk factors.[15]

There are multiple factors at play in unethical behaviour, from personality to social influence. Overall, research suggests that social influence, personality traits, exposure to others' dishonesty, challenging goals and time pressure increase unethical behaviour. In contrast, providing moral reminders decreases unethical conduct.

Some workplace behaviour may be unethical because of the particular context in which it occurs but may be perfectly acceptable in another setting – for example, accepting a large gift from a potential supplier. Outside of work, accepting a large gift would not normally be unethical, but in a workplace context it probably goes against a code of conduct.

Three types of influence on unethical behaviour

Just as there are many types of unethical workplace behaviour, it is also clear that one factor cannot account for why it occurs. Following Kish-Gephart et al,[16] we frame influences on unethical behaviour into three broad groups: individual factors such as personality, organisational factors such as ethical climate, and situational factors such as time pressure.

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Clearly, we need to consider different aspects of working life in the round to appreciate when and why unethical outcomes, behaviours or decisions will occur. These aspects include: the workplace context, individual differences, leadership, presence of sanctions and codes, and organisational climate and culture. These factors will likely interact with one another to create enabling environments for unethical behaviour, or conversely reduce the risk of unethical behaviour.

In the following sections of the report, we consider in more detail how these factors influence unethical workplace behaviour. We first look at individual differences, or the potential for employees to be 'rotten apples'. We then consider the impact of organisation context, or 'bad barrels', and the role leadership can play in promoting ethical behaviour. Following this, we look at situational factors that lead to unethical behaviour – the 'sticky situations' that are naturally difficult to manage – and the effective use of codes of conduct, communication and training.
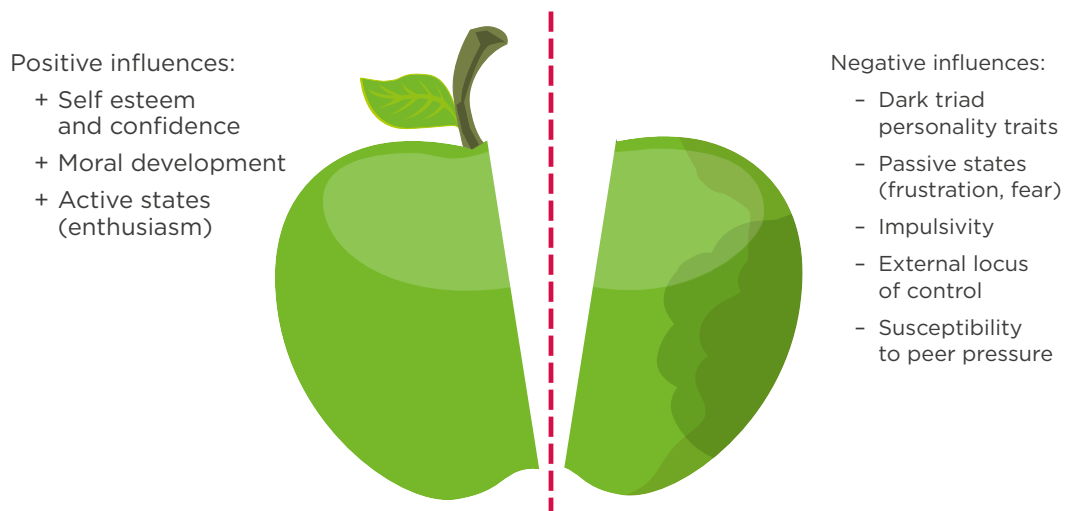
> **Multiple factors influence unethical workplace behaviour**
>
> A high-quality meta-analysis based on 136 studies on a total of 43,914 people showed that the reasons for behaving unethically in the workplace are complex. No single demographic variable makes a unique contribution to unethical behaviour, and the factors can be categorised into three groups:[18]
>
> 1 **'Bad apples'**, or individual factors, can impact workplace ethics. Unethical behaviour is related to a range of individual characteristics, including cognitive moral development (CMD), idealistic or relativistic moral philosophy, personality traits and 'locus of control', which is the extent to which we attribute the responsibility for our actions to ourselves or an external source.
>
> 2 **'Bad cases'**, or situational factors that influence unethical behaviour, often centre on 'moral intensity', for example, how clear the consequences of unethical behaviours are, how likely and how serious those consequences are, and the degree of agreement between peers that the action is wrong.
>
> 3 **'Bad barrels'**, or organisational contexts, create important cues for employees as to what behaviour is acceptable in the workplace. In particular, three types of ethical climate are related to unethical behaviour: in egoistic climates, which promote self-interest, unethical behaviour is more likely, whereas in benevolent climates and principled climates it is less likely.

(5) Rotten apples: individual differences and unethical behaviour

A range of individual characteristics can affect how ethically people behave, in particular aspects of their personality but also mood. The figure below outlines these factors. We explore these factors in detail below.

Positive influences:
+ Self esteem and confidence
+ Moral development
+ Active states (enthusiasm)

Negative influences:
– Dark triad personality traits
– Passive states (frustration, fear)
– Impulsivity
– External locus of control
– Susceptibility to peer pressure

Rotten apples: individual differences and unethical behaviour

The 'dark triad' and other personality traits

Various personality traits are linked to unethical behaviour. These include the 'dark triad' of personality characteristics: Machiavellianism, psychopathy and narcissism These characteristics are associated with low empathy, impulsivity and lack of attention to moral aspects of a situation (see section below for more information).

One study suggests that people possessing these dark triad traits are more susceptible to unethical behaviour.[19] They are likely to see opportunities to benefit from and thus rationalise unethical behaviour such as fraud. Meta-analytic research confirms the link more generally with counterproductive work behaviour, suggesting 'dark triad' employees are more likely to violate workplace norms.[20]

Related to a lack of empathy, employees are also more likely to behave unethically if they are highly egocentric – that is, focused more on themselves than the impact their behaviour has on others.[21]

Machiavellianism, psychopathy and narcissism

People high on Machiavellianism tend to have a disregard for morals, and a strong willingness to manipulate and deceive others. Narcissism is related to high levels of pride, low levels of empathy and high ego. Finally, psychopathy relates to impulsive, anti-social behaviour and lack of remorse. Research suggests that an individual possessing these traits could be at risk of acting unethically. For example, someone with low empathy and a high ego may be more likely to disengage from the moral aspects of a decision, especially if it benefits them.[22]

It should be noted that the research outlined here measures these traits in a non-clinical population. Someone who scores relatively highly on the 'psychopathy' scale used in this research is not equivalent to an individual being diagnosed with a personality disorder such as anti-social personality disorder, which is related to psychopathy.

Aside from these 'dark' personality traits, there is also some evidence that some 'big five' personality traits are linked to unethical behaviour. In particular, a meta-analysis found that openness to novel experiences is to some extent associated with counterproductive work behaviours.[23]

An individual's 'locus of control' can also influence unethical behaviour. Specifically, unethical behaviour is more common among people who have an *external* locus of control – that is, a tendency to put events down to other people's actions or the situation, and underplay one's own responsibility. Presumably, those who have this trait rationalise unethical behaviour as being beyond their control – phrases such as 'it was out of my hands' or 'my hands were tied' spring to mind. The link is even stronger when these individuals receive negative feedback about a situation or task.[24]

Susceptibility to peer pressure is also linked to unethical behaviour. People who are impulsive are more likely to agree to unethical requests made by a manager or supervisor,[25] an explanation being that they have less willpower or self-control and, as such, are less able to say no to unethical requests. Individuals who feel a high need to belong in a group also appear to be more likely to engage in unethical behaviour. One study found that when a person had a strong preference for inclusion, they were more likely to behave unethically

when they felt excluded than when they felt included. This may be due to pro-organisational unethical behaviour being seen as a way to integrate or gain status within a group.[26]

Finally, competitiveness and a wish to increase status within a work group is also a risk factor in unethical behaviour. Competitive individuals are more likely to misrepresent their work or sabotage others' work, especially if they are aware of others' performance.[27]

Buffering personality traits

Some personality traits buffer against unethical behaviour. For example, research has found that authoritarian individuals are better able to resist pressure from supervisors to behave unethically, presumably because they are more confident.[28]

Another protective factor is self-esteem, with research suggesting that individuals with higher self-esteem are less likely to engage in counterproductive workplace behaviour.[29] One explanation for this effect is that because those with high self-esteem view themselves positively, they are less likely to engage in any behaviour that would compromise this view; by behaving unethically they would have more to lose in their self-image.

Lastly, an individual's belief system concerning morals and ethics will also influence unethical behaviour. Some individuals place more value on concern for peers or stakeholders, regardless of circumstance, whereas others take a situational view. Specifically, research on cognitive moral development (CMD) shows that those who are less morally developed are more concerned with self-interest and more likely to act unethically as a result.[30] This relates back to self-esteem: research suggests that those who value honesty are more likely to act in an honest way, in part to maintain their positive self-image.[31]

Mood and emotion

As well as the relatively fixed aspect of personality, mood and emotion, which make up different 'affective states', can influence unethical behaviour. People who have higher levels of frustration are more likely to obey supervisor requests to engage in unethical behaviour, whereas highly enthusiastic individuals are less likely to do so (see the section below on active and passive states for more).

Fear, frustration and happiness are passive states in that individuals are likely to take a course of action that reduces their fear or frustration, or sustains their happiness. As such, people are more likely to conform, avoid risky decisions, and take the course of least resistance in an effort to avoid further unpleasant outcomes (more so for fear and frustration) or for mood maintenance (which is the case for happiness). Experiencing an active positive affective state such as enthusiasm means that people are more resistant to destructive leadership and supervisory pressures for obedience because they have more confidence. This aligns with our earlier finding that if employees feel confident that they can influence outcomes and assume that responsibility, they are better placed to resist pressure to behave unethically and are less vulnerable to destructive leadership.

Active and passive states influence ethical behaviour

An experimental study found that frustrated individuals are more likely to comply with unethical requests, whereas enthusiastic individuals are less likely to do so.

The same study found that people with high happiness are also susceptible to supervisory pressure to carry out unethical behaviour, whereas highly *enthusiastic* individuals were less likely to do so.[32]

In the study, 63 middle managers were asked to respond to a range of ethical scenarios, after their affective states were measured, and to rate the extent to which they were willing to engage in unethical behaviour requested by their supervisor. For example, participants were asked by their supervisor to backdate a shipping log in order to increase profits. Overall, the findings suggest that both negative and positive affective states can drive unethical behaviour, and a willingness to conform to unethical directives. What matters most in predicting whether people succumb to supervisor obedience pressures is whether affective states are *passive* or *active.*

Moderating factors

Even where personality does influence ethical behaviour, the influence is not fixed. For example, we find that organisational culture and leadership moderate the relationship between dark triad traits and unethical behaviour.[33] Specific factors include the messages leaders convey to employees, such as whether duty and loyalty to the organisation are important values. While employers may not be able to select their employees purely to avoid personality traits, focusing on climate can help reduce unethical behaviour that stems from personality.

Summary and implications for practice

Key lessons for practice

Understand and manage the impact of personality and mood
- Beware of passive states of mind, including fear, frustration and complacency, and individuals who feel that they have little control over the outcome of their actions (also known as external locus of control), which make unethical behaviour more likely.
- Foster enthusiasm and other active states of mind by creating a sense of agency and responsibility.
- The 'dark triad' personality traits of Machiavellianism (for example being manipulative), psychopathy (for example impulsiveness and lack of remorse) and narcissism (for example low empathy) are also a risk factor. How this translates into practical action is not straightforward – for example, it may not be appropriate to select people based on these traits. However, raising managers' awareness that some personalities are more prone to unethical behaviour may help.

Empower employees to speak up and provide safe whistleblowing channels
- Provide safe, effective whistleblowing channels for employees to report issues or raise concerns, raise awareness of these channels and set a clear expectation that they will be used.
- Support employees in all parts of the organisation to be capable and confident to raise ethical issues, for example through guidance and training on how to challenge ethically questionable decisions or practices.

There is good evidence that differences in personality, moral development and mood affect employees' propensity to engage in unethical behaviour. The extent to which we can directly influence personality is limited (these being relatively stable states) and selecting or promoting individuals based on their personality traits may not be appropriate or practical.

However, employers can take note of these individual risk factors for unethical behaviour and target leadership, people management and development interventions where

Rotten apples: individual differences and unethical behaviour

the risks are greatest. A central aim should be to create positive, healthy and robust workplaces in which employees are not constantly frustrated, can take responsibility for their actions and feel confident to challenge. Aspects such as perceived fairness, job satisfaction and good-quality leadership minimise the negative aspects and maximise the positives of individual differences.

As such, practical implications for HR, OD and L&D practitioners can include the following:

- **Managing the impact of change:** be particularly mindful of risks of unethical behaviour in times of negative organisational change, when employees may be more frustrated, stressed or dissatisfied with their roles.

- **Empowering employees:** ideally, employees would not be asked to carry out unethical requests, but should this happen, employees throughout the business should be empowered to raise concerns and speak up or question decisions that appear to infringe a code of ethics. Policy and practice interventions play an important role in this, for example through a clear policy on raising issues to managers or HR, or an independent mechanism for whistleblowing without reprimand.

Much of the individual differences described in this section influence how employees relate to the expectations they perceive around them, such as pressure from peers or managers. People vary in how susceptible or robust they are in the face of this. In the following section, we consider the influence of these organisational factors in themselves.

(6) Bad barrels: culture, climate and leadership

One common explanation of corporate scandals is that they are rooted in a problematic culture that has arisen in an organisation or industry. For example, the Parliamentary Commission on Banking Standards reported that *'a culture of entitlement to high pay'* had developed within the financial services industry and that *'[b]anking culture has all too often been characterised by an absence of any sense of duty to the customer and a similar absence of any sense of collective responsibility to uphold the reputation of the industry'*.[34] More specifically, in her book *Fool's Gold*, Gillian Tett[35] described how the discourse on financial derivatives led to a common acceptance of their reckless use.

Positive influences:
+ Strong ethical climates
+ Moral leadership
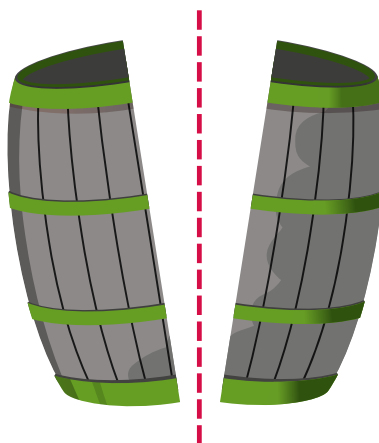
Negative influences:
− Organisational politics
− Lack of trust and sense of unfairness
− Destructive leadership
− Social norms of unethical behaviour

Our review identifies a range of factors that influence the organisational context. The image above highlights these factors, which we explore in detail below.

Ethical culture relates closely to another construct in the scientific literature – ethical climate. These overlapping ideas are in many ways similar – they both centre on context and collective, shared understanding, rather than individual experience – but there are some differences (noted in the section on culture above). In quantitative studies, ethical climate does more than ethical culture to explain workplace behaviour, and climate can be shaped by processes, leader behaviour and HR practices, whereas culture is harder to influence. Thus, we adopt ethical climate as our main construct.

The power of social norms

In general terms, situational social norms and peer pressure can be powerful influences on how ethically we behave. For example, experimental research shows that when individuals see multiple peers seemingly engaging in cheating behaviour, they were much more likely to follow suit and also cheat.[43] More broadly, a meta-analysis confirms that the presence of others acting unethically makes unethical decisions more likely.[44]

Social norms are a key mechanism of influence as they provide clues as to what behaviour is acceptable or not. When it seems 'everybody else is doing it', we reach a tipping point where unethical behaviour is contagious and it becomes easier to claim ignorance or justify misdemeanours.[45] One practical implication of this is that employers need to strike a balance between, on the one hand, being transparent about ethical issues in their organisation and, on the other hand, creating an impression that unethical behaviour is the norm (we discuss this further in section 8).

Ethical climates

Several types of ethical climate have been identified, in *particular egoistic or instrumental*, *benevolent* and *principled climates* (see section on culture and climate above).

Instrumental climates, in valuing self-interest, company profits and competition, are more likely to encounter lying, stealing and falsification of reports.[46] Conversely, benevolent climates, which place a high value on social responsibility, team interests and co-operation with others, are less likely to see such behaviour – as too are principled climates that value rules and emphasise personal morality.

Less predictably, we also find that these ethical climates are related to other outcomes, including dysfunctional behaviour, job satisfaction and well-being. This suggests that ethical climate not only affects decision-making, but also wider aspects of job quality and organisational life.

Fairness and organisational politics

One particular area of organisational culture is the degree of mutual trust and the sense of fairness. The evidence shows that both these are related to ethical behaviour. Where there are low levels of perceived trust, or individuals feel resources aren't allocated fairly or procedures aren't fair (distributive and procedural justice), CWB is also more likely to be found.[47]

Closely linked to trust and fairness is an organisation's political climate (measured as 'perceived organisational politics', or POP). In highly political organisations, employees feel a need to watch their backs and learn that how well they do depends more on the decisions of few powerful others than on how they work. Evidence shows that such organisations are likely to encounter more counterproductive work behaviour.[48]

Explanations for this include that organisational politics focuses employees' attention away from doing their job conscientiously, that it reduces their sense of self-determination and thus intrinsic motivation, and that, by reducing employees' sense of relatedness and increasing alienation, it makes them more egoistic. The effort required in navigating political climates is an important influence, creating strain and leaving less effort available for moral decision-making.[49]

Leadership behaviour and ethical climate

One of the most fundamental ways in which organisations shape organisational climate is through the leadership of managers. An ethical, or purposeful, leader can be described not only as demonstrating a firm commitment to stakeholders, but as influencing the rest of the organisation to do the same. The latter can be a major challenge. CIPD research has found that often talk about ethics does not filter down through the organisation; senior leaders may talk about ethics, but employees 'on the ground' may stay focused on 'harder' targets.[50]

Nonetheless, how leaders role-model and talk about ethical behaviour will create social norms that give cues as to what behaviour is acceptable and rewarded. This is often framed as the 'tone from the top'.

Effective ethical leadership includes role-modelling ethical behaviour and acting with respect and care for others. Research on how 'followers' perceive their leaders shows that if a leader is viewed as moral, employees are more likely to behave ethically themselves.[51] Conversely, research shows that destructive leadership – described as hostility, scapegoating and other outwardly negative behaviour – correlates with counterproductive work behaviour in followers.[52] We also find that abusive supervisors – who, for example, undermine their direct reports – increase the risk that employees act unethically, especially those who have Machiavellian traits and are less concerned with morals in the first place.[53] In effect, abusive supervision makes unethical behaviour highly likely by activating these traits.

Finally, leaders play a crucial role in reinforcing messages on ethical conduct and making sure that ethical codes are adhered to and behaviour rewarded or reprimanded as appropriate. We discuss this role further in section 8.

Summary and implications for practice

Key lessons for practice

Focus on ethical climate and the organisational practices that shape it
- Focus on shaping climate, rather than culture, as it is more concrete and more clearly related to behaviour.
- Seek to understand what type of ethical climate dominates your organisation – for example, egoistic, benevolent or principled.
- Reflect on how the organisation's systems, procedures and informal practices shape ethical climate and culture.

Promote organisational fairness and challenge political behaviour
- Assess employee perceptions of politics and fairness, for example through a survey and focus groups.
- Review policies and practices to ensure they are fair.
- Keep political behaviour in check, challenging it when it becomes unhealthy.

It is clear from the evidence that ethical climates are an important armour which mitigates against the risks of unethical behaviour. A co-operative, collaborative environment that has strong ethical values will minimise the risk of unethical employee behaviour in practice. On the other hand, negative work environments – such as highly political organisational cultures – provide a negative frame of reference for employees, and in organisations that place a very high value on profit, ethical concerns may not be at the forefront of decision-making. As such these negative climates exacerbate the risks associated with unethical practice.

In addition to this, the evidence highlights the 'contagious' nature of unethical behaviour: when individuals see multiple occurrences of indiscretions that go unchallenged, it becomes the 'new normal'. One implication of this is that, although transparency is crucial for organisational trust, leaders should take care when discussing the extent of unethical behaviour so that they don't inadvertently reinforce negative norms.

At the core of it, workplaces are social environments, and social norms provide us with examples of what behaviours are acceptable in our workplaces – whether this is implicit or explicit. This highlights the importance of communicating ethical values as well as role-modelling them from the top–down.

Championing and supporting an ethical climate has potentially far-reaching impacts for business, also potentially increasing job satisfaction and reducing turnover intention.[54] To better understand and influence ethical climates, HR practitioners can:

- Gather organisational data, through surveys, workshops and focus groups, to map the organisation's current ethical climate.
- Define ethical values and behaviours for the organisation, develop internal communications to share these and ensure people management strategies – such as reward – promote the right behaviour (we discuss this further in section 8).

There is also good-quality evidence that leadership shapes ethical culture and influences behaviour. If leaders do not role-model and promote ethical behaviour, and allow indiscretions to go unchecked, there is a greater risk that unethical behaviour becomes the norm. There are a number of implications for employers:

- HR professionals should look to work closely with other leaders to establish a common understanding of the value and importance of a positive ethical climate. Together they should set clear expectations of ethical behaviour and be consistent in reprimanding unethical behaviour. The board of directors needs to lead the way by role-modelling ethical behaviour and being clear that unethical behaviour won't be permissible, even if it benefits the bottom line.
- Ethical leadership needs to form part of leadership development programmes, as we have argued previously.[55] Key elements to cover include moral development and self-awareness, the importance of ethical behaviour, and techniques to avoid succumbing to unethical conduct.

In the next section, we consider the situational factors that make resisting unethical conduct difficult.

7) Sticky situations

The particular responsibilities, tasks and interactions involved in a job will affect many aspects of working life. Outcomes include how pressurised or interesting an employee's role is, how engaged they feel with their work, how accountable they are for their decisions, and the nature of their working relationships. Research shows that a number of such situational factors affect the likelihood of unethical behaviour.

Positive influences:
+ Varied roles
+ Accountability
+ Checks and balances
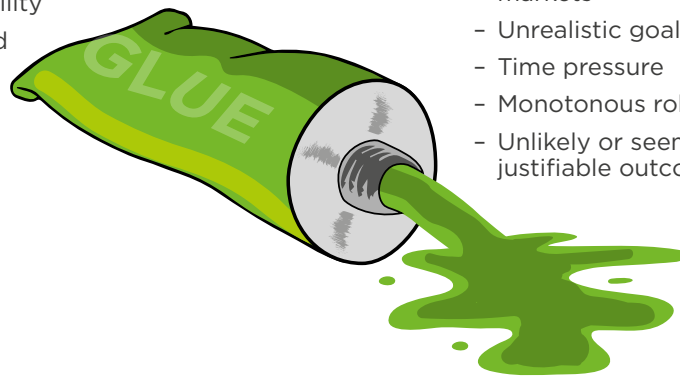
Negative influences:
– Highly competitive markets
– Unrealistic goals
– Time pressure
– Monotonous roles
– Unlikely or seemingly justifiable outcomes

The image above outlines these factors. The section below explores these in more detail.

Competition and reward

Competition – both inside an organisation and in the wider market – can influence unethical behaviour, as shown by experimental studies based on artificial competitive marketplace scenarios. One study showed that individuals are more inclined to engage in 'unethical pro-organisational behaviour' (UPB) when their organisation is in competition with other organisations.[56] Another study found that when hypothetical transgressions led to a gain for a company, subjects chose less severe disciplinary measures for the perpetrators.[57] These studies suggest that market competition both increases unethical pro-organisational behaviour and makes leaders more lenient in reprimanding unethical behaviour.

Situational factors may be particularly salient when employees stand to benefit personally. In an experiment it was shown that setting extremely difficult cost goals tied to financial rewards increases the misreporting of costs. However, when promotions are available, goal difficulty leads to less misreporting (see the section on challenging goals for more information on this study).

In a similar vein, an experimental study showed that individuals' motivation to increase their performance status can lead them to sabotage others' work or misrepresent their own work, in particular when other people's performance was clear.[58] This suggests that internal competition, where one's prospects for a bonus or pay rise are affected by others' performance, can exacerbate unethical behaviour. As we have discussed in previous CIPD research, this can be a serious unintended consequence of strongly leveraged performance-related pay.[59] Managers should think about performance in its entirety – for example, including service quality and customer satisfaction as well as short-term turnover – and consider what would happen if employees neglected one part in order to hit a narrow target in another area.

Challenging goals tied to reward can increase unethical behaviour

In a study by Clor-Proell and colleagues,[60] participants were assigned the role of a production employee, and were given different cost goals tied to financial rewards, ranging from easy to extremely difficult. They then had to make a cost reporting decision to owners who had no knowledge of actual costs. As they did this, they had both the opportunity to misreport costs and an incentive to do so, as reporting higher costs resulted in increased employee compensation, but decreased owner compensation.

The study found that participants misreported costs more for difficult tasks than easier tasks. The authors explained their findings in terms of extremely difficult goals being perceived as less fair and thus triggering the rationalisation of misreporting.

One way to buffer or reduce this effect is promotion opportunities. Introducing the prospect of promotion is a form of benefit that can offset the perceived unfairness of extremely difficult goals and increase the stakes of unethical behaviour. Promotion opportunities may also act to increase the visibility of performance, which may increase concern for reputation and honesty. Further, the findings of this study have some important implications for practice, especially in relation to goal-setting and financial incentives.

The findings suggest that goal-setting tied to financial rewards, under the wrong conditions, can have very negative side effects such that extremely difficult goals can precipitate fraudulent behaviour. Due consideration needs to be given to employee perceptions of the attainability of goals, especially when tied to financial rewards. While goals can be difficult, they need to be perceived as attainable. Finally, providing promotion opportunities can help buffer negative side effects of goal difficulty.

Work pressure

More generally, work pressure in and of itself can influence ethical behaviour. For example, difficult performance goals and time pressure to deliver make unethical behaviour more likely.[61, 62] When employees lack resource and are time poor, this not only affects their well-being and motivation, but also runs the risk of unethical behaviour.

Given the relationship between goal difficulty and unethical behaviour, one might expect that those with a low variety of tasks have more time to consider decisions and make ethical choices. However, the opposite can be true, because jobs with low task variety can require less deliberative thinking; in other words, there is less need for employees to cognitively engage with their work and greater propensity to go on autopilot. Further studies confirm this. For example, in one study, researchers assigned participants to a low-variety or high-variety task, followed by a scenario where they had the opportunity to cheat. They found that those with lower task variety were more likely to cheat, suggesting that deliberative thinking leads to greater compliance with rules.[63]

Unlikely outcomes and other justifications

An important situational factor is the nature of the ethical decision itself, in particular the potential outcome of any given situation for others. How likely is an instance of unethical behaviour to have negative impacts? How soon would they occur? How serious are the consequences? And is the 'victim' of the unethical act known or unknown? Knowledge of these probability, scale and proximity effects affect the likelihood of unethical decision-making.[64]

Furthermore, the availability of self-justifications also influences unethical behaviour. Justifications can minimise perceptions of unethical behaviour where consequences appear small or likely to be ignored. They can also arise when another person can be blamed for the behaviour, even victims themselves ('they deserved it'). All these factors make unethical behaviour more likely.[65]

Monitoring and accountability

It should come as no surprise that unethical behaviour is influenced by whether people think they will be caught. The flipside to this is that being monitored and being solely accountable for the outcome of decisions tend to make behaviour more ethical.[66] A similar effect is seen in other situations. For example, when supervisors are held accountable for the performance ratings they give, their judgements become demonstrably less biased and more consistent.[67]

Monitoring systems may also have negative implications, in particular eroding trust, but there is no doubt that they can be effective in reducing unethical behaviour.

Summary and implications for practice

Key lessons for practice

Manage the risk factors related to job design
- Where possible, design jobs that are stimulating and ensure workload is manageable.
- Understand the risk factors related to different types of job to inform where to target interventions on ethical behaviour – from ethical training and reminders to checks and balances and whistleblowing channels.

Create accountability and introduce checks and balances in decision-making
- Create management structures that hold people accountable. Provide checks and balances where decisions are made in isolation.
- Encourage evidence-based practice to ensure decisions are made based on a range of factors, considering stakeholder concerns and a wide range of evidence.
- Consider how behaviour can be monitored effectively and constructively, without leading to micromanagement or eroding trust.

A number of situational factors influence how ethically people behave, from market competitiveness, to time pressure, to the likely outcomes of unethical behaviour and whether people are monitored:

- Competitive markets are more likely to see unethical behaviour such as cheating, especially if unethical behaviour benefits the organisation. While market competitiveness is not something that can be changed, it is advisable for employers operating in a crowded or particularly competitive market to be especially careful with the messages they send to employees.
- HR professionals can use employee surveys to monitor workload and resource levels, to identify potential risks of unethical behaviour.
- Accountability can have a major influence on ethical behaviour. People are more likely to behave unethically if they can downplay the outcomes of their actions, or if they are not in a position to see them, for example because the outcome would be far into the future or they are removed from a customer-facing role. In such cases, monitoring behaviour focuses people on the outcomes of their actions. Employers should take care when

designing monitoring systems, so that they avoid micromanagement. A balance can be achieved by targeting monitoring at certain processes or in certain environments in which unethical behaviour is a risk, such as when pressure is high or targets need to be hit.

• Where individuals work in isolation, or have low task variety, making joint decisions with others may allow risky behaviours to be challenged. However, there may be a balance to strike between making group decisions and providing checks and balances, with the former potentially leading to a lack of accountability. HR can ensure that those that work in isolation or remotely have accessible ways to gain feedback on their decisions and seek advice on workplace issues.

⑧ Codes of conduct, communication and training

Our review found a number of studies that focused on the effectiveness of codes of conduct, and communication techniques and approaches to training that best support them.

Consistent enforcement of codes of conduct

Codes of conduct are a common organisational tool to guide employee ethical behaviour. A high-quality meta-analysis showed that, along with other moral reminders, codes of conduct have a positive effect on compliance and ethical behaviour.[68] One experimental study which describes their effective use is with sales managers, who were more likely to identify unethical behaviour and delivered harsher punishment when a code of ethics existed.[69]

However, meta-analytic findings showed that the mere existence of a code of ethics does very little to discourage unethical behaviour. What makes codes effective is when they are actively enforced.[70] This confirms our earlier point about the value of monitoring and accountability.

Research also points to complications, in particular because reprimands for unethical behaviour can vary. One experimental study found that top sales performers were treated more leniently than poor sales performers, even when they had a history of unethical practice.[71] A stronger company policy that specified how to reprimand unethical practice failed to bridge the gap between treatment of high- and low-performers, suggesting that in a target-driven setting, ethical leniency for top performers is a difficult issue to solve.

Leaders have an important role in actively promoting ethical conduct, an important part of which is dealing with unethical behaviour in a fair and consistent manner. This can be tricky when it positively impacts the bottom line (unethical pro-organisational behaviour) and is also difficult if leaders personally benefit from employees' unethical behaviour. Research suggests that leaders who are accountable for their actions are more likely to disapprove of unethical behaviour, but only when they do not benefit from the outcome of the unethical behaviour. In other words, leaders may rationalise their team's unethical behaviour if it benefits them.

When leaders aren't accountable, they may rationalise unethical behaviour

In this experiment, Hoogervorst and colleagues demonstrated that leaders show greater disapproval of the unethical behaviour of followers when they are held accountable and when such behaviour is not beneficial to them.[72] In the study, participants were placed in the role of a leader and were assigned to one of two conditions. In the first condition leaders were to receive a bonus based on their followers' performance on a task, and in the second condition, leaders did not receive a bonus.

Following that, half of the leaders were told that their followers' performance would be visible to the others and the experimenter (high accountability), and the other half were told that followers' performance would be kept confidential (low accountability). Leaders showed the highest levels of disapproval for unethical behaviour when (a) accountability was high and (b) they did not personally benefit from the behaviour (that is, in terms of receiving a bonus).

These findings suggest that in situations where accountability is low, and the opportunity for self-benefit is high, leaders may not always act in the interest of the organisation. The findings also suggest that leaders may rationalise unethical behaviour of followers when leader bonuses are tied to follower performance.

Moral reminders

Moral reminders can include simply pointing to codes of ethics and the consequences of unethical behaviours, and forms of ethical priming – that is, active prompts to get people to focus on ethical issues. Many ethical primes are conscious processes – for example, reciting the Ten Commandments or, perhaps more realistically, being reminded of corporate values. But in principle they can also be subconscious by exposing people to stimuli that are supraliminal or subliminal – for example, images that are shown too quickly to register in the conscious mind.[73] While HR practitioners are very unlikely to make use of this, it is used in some of the experimental research.

Meta-analytic research finds that moral reminders have a medium effect on unethical behaviour.[74] Moral reminders took the form of sharing a code of ethics or ethical priming exercises. Clearly it can't stop unethical behaviour at the source, but reminding employees of their obligations to act in a moral and ethical manner, especially at times where there is time pressure or high stakes, can bring ethics to the forefront of decision-making. It is worth noting that they will be especially effective for people who have high self-esteem, because they place more value on being able to view themselves positively (see section 5).

Messaging on ethical conduct

There are various things to consider in making communications on ethical behaviour as effective as possible.

There is some evidence (albeit not the highest quality) that influencing at an emotional level may be more persuasive than logical arguments and extrinsic incentives.[75] The suggestion is that an emotion 'pull' is more effective than the 'push' of an incentive.

But communicating ethical practice can be complex. As we discussed in section 8, unethical social norms can become contagious. An implication of this is that trainers and leaders should be careful when discussing ethical norms within an organisation, as highlighting unethical behaviour could inadvertently reinforce the sense that 'everyone else is doing it'. It is important to balance being transparent about unethical behaviour with ensuring desired behaviours are reinforced.

The risk here is that far from reducing unethical behaviour as intended, employers contribute to what is known as a 'licensing effect', whereby people feel overconfident and start behaving in undesirable ways. For example, research has shown that people given a course of vitamins can become less, not more, healthy, because they become complacent and stop making an effort in the things that make most difference – exercising and eating healthily.[76]

Similarly, employees can start behaving less ethically because they feel confident and secure. This moral licensing, where *'people respond to having done something good by doing more of something bad'* is a potentially serious problem that can exist in a number of contexts.[77] For example, it is the key reason training on unconscious bias can backfire and make people more biased. What this means for practice is that, first, the potential for interventions to create complacency should be taken seriously, and second, communication on ethical issues must be underscored repeatedly and not rely on one-off explanations.

Well-intentioned, motivational communications can reinforce a positive message about organisational interests. For example, focusing on positive outcomes to be gained, rather than the negatives of unethical behaviour to be avoided, tends to be more effective in promoting ethical behaviour.

Leadership message framing and unethical pro-organisational behaviour

The way in which leaders frame messages, in conjunction with leadership style, can make people more or less likely to behave unethically for the good of the organisation (unethical pro-organisational behaviour, or UPB). This was shown in a study which presented a speech from a fictional CEO to an online sample of working adults. The researchers investigated how the way the 'CEO' framed messages affected people's willingness to engage in UBP – for example, by misrepresenting company information, or concealing information from customers.[78]

In one condition, the CEO emphasised the potential gains for an organisation should it hit its annual targets. In another condition, they emphasised what the organisation stands to lose, should it not hit its targets (for example, the potential to lose out to a market competitor if targets aren't reached, the organisation will *win* against the market competitor if targets are reached). This is referred to as 'gain' or 'loss' framing. Overall, the study found that higher levels of UPB occurred when a leader used loss framing.

But higher levels of UPB only occurred when the 'loss-framing' CEO demonstrated a transformational leadership style. In other words, inspirational, persuasive leaders need to be particularly careful about the way they frame messages, to avoid potential unethical behaviour that benefits the short-term bottom line.

Training
Our review found very few studies focused on the impacts of training, but it is worth considering, given how central training is to employers' attempts to mould employee behaviour.

Given our findings on individual differences in section 5, one potentially fruitful area to explore would be to develop employees' resilience in the face of pressure to behave unethically. In case employees do face such pressure, they would ideally be equipped to know what is expected of them and how they can challenge unethical requests. Potentially, they could also be taught to be aware of their personalities and moods, and to focus on

attributes that help people resist unethical requests, such as high self-esteem, self-efficacy and confidence in managing requests.

More broadly, exercises aimed at increasing cognitive moral development could also make a significant difference. Kohlberg's theory of cognitive moral development saw it as an attribute that develops (and sometimes regresses) over a person's life.[79,80]

Our current review found no evidence that training affected ethical behaviour. One experimental study investigated a specific training programme designed to communicate the top management's desire to treat ethical matters equally based on the severity of the act. Following the training, the researchers found that managers were no less lenient towards top sales performers, this bias continuing as before.[81] Similarly, another study on compulsory ethics training for real estate salespeople did not see any impact on their moral reasoning.[82]

However, a further review looking more widely at the impact of training on different types of cognitive development and behaviour may well yield different results. It is striking that the above examples both concern mandated training, which can be a tick-box exercise. It may also be that ethics training needs to be holistic, in-depth and experiential, not a one-size-fits-all approach that can be likened to a sheep-dip. Some have argued that, as a formative experience, education should be able to help moral development if it can help us *'see the connectedness of things'*.[83] Forcing people to attend a short training session on ethics and compliance may not be the most effective way to achieve such deep learning.

Summary and implications for practice

> #### Key lessons for practice
>
> **Consistently enforce codes of conduct**
> - Develop a code of conduct that is accessible, meaningful and uses concrete examples of ethical behaviour to reduce ambiguity about what is acceptable and what is not acceptable.
> - Reinforce the code of conduct through core training that encourages employees to consider the ethical outcomes of decisions and reinforces individual responsibility.
> - Enforce the code of conduct consistently and fairly across all employees.
>
> **Communicate carefully about unethical behaviour and ethical standards**
> - Communicate carefully about the extent of ethical issues: be transparent about challenges but avoid creating a sense that 'everybody else is doing it'.
> - Pay attention to the way messages are framed – emphasise what's to gain from ethical standards, rather than what's to lose from unethical behaviour.
> - Senior leaders should reinforce positive norms by role-modelling ethical behaviour and through the messages they communicate.
> - Give reminders of the importance of ethical behaviour and target these in high-risk situations.

Ethical codes of conduct are undoubtedly important and necessary in organisations for compliance, but they are not enough alone and need to be part of a broader considered drive towards ethical behaviour. It seems logical that training could support their effectiveness, but our current review finds little evidence on how best to go about this in practice. The effectiveness of training is an area that needs more research.

Nonetheless, we do have evidence for several key lessons for employers:

- HR professionals should encourage and support leaders throughout the organisation in communicating the value and importance of positive ethical practice/conduct. Regardless of individual differences, such as levels of performance, leaders must be clear on their organisation's ethical code of conduct and take their role seriously in cascading clear guidelines on what constitutes acceptable behaviour and what does not.
- Moral reminders (such as pointing to an ethical code of conduct) can be effective in minimising unethical behaviour. HR practitioners could consider deploying these in general, but in particular targeting them at high-risk teams, for example those which contain high-pressure roles.
- Internal communications and engagement strategies do well to position ethical outcomes in a positive light. Framing motivation messages on ethical conduct through a loss lens may unwittingly incite unethical behaviour, whereas emphasising the organisational gains of ethical behaviour is more likely to be effective.
- It may help to communicate codes of conduct on a moral and even emotional level, for example, by tapping into people's desire not to harm innocent people. Operational or transactional reminders of rules and regulations – the more technical side of compliance – appear to be less effective.

9 Conclusions and recommendations

Risk factors in unethical workplace behaviour

A first step in improving and protecting ethical behaviour at work is to understand the risk factors and the existing climate in one's organisation. Some organisations are at particular risk of unethical behaviour. These include those that operate in highly competitive markets, which have a competitive 'everyone for themselves' culture, organisations where political behaviour is the norm, or which have systems that mean managers can benefit from unethical behaviour. Coupled with this are a range of individual differences and situations that may be more prevalent in some workforces than others. These risk factors include staff being under time pressure, abusive management and employees who possess so-called 'dark triad' personality traits. These risk factors can act in consort, potentially creating a 'perfect storm' that may lead to unethical behaviour.

Conversely, factors that lower the risk of unethical behaviour include organisational climates that promote co-operation and protection of wider stakeholder interests that emphasise principles and compliance with roles, and treat ethical transgressions consistently and seriously. Complementing factors include employees who work in high-variety roles, are enthusiastic about their work, have high self-esteem and strong cognitive moral development. The role that leaders play in promoting ethical behaviour is crucial. Leaders at all levels must authentically and consistently champion ethical conduct and remain aware of how easily they can contribute to a climate of unethical behaviour.

All organisations will contain a mix of risk factors and strengths. The reality of navigating ethical decision-making within a business context is unlikely to be black and white. Moreover, cultures are dynamic, multi-layered and dispersed throughout organisations: no single culture exists and different business functions and locations can develop their own climates. Yet the risks are there and can take us by surprise: no organisation is immune to controversies relating to ethical practice. Organisations in sectors we might expect to be highly ethical and which are accountable to trustees may have their own ethical issues – for

example, sexual misconduct in the international aid sector. Employers should consider what goes on at all levels of the organisation and not be complacent in their assessment of the pressures and climates that exist 'on the ground'.

In order to make their organisations more ethical, therefore, employers may need to develop their understanding of not only the nature of their industry, organisational values and behavioural norms, but also the nature of individual jobs, the personalities that carry them out and common situational pressure points created by management processes and the organisation of work. It is a potentially daunting task but fortunately there are general principles that can be usefully applied. Some key recommendations for businesses and people professionals are discussed below.

Concluding remarks

There is no silver bullet for compliance and ethical behaviour, from minor indiscretions to major scandals, as a multitude of factors contribute to or undermine them. However, there is strong evidence that certain factors, such as social influence, leadership style, the workplace environment and individual differences, interact to increase the likelihood of unethical behaviour. It is clear that employers can take effective action on ethics. The HR function has a leading role to play in this.

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A general point concerns the importance of corporate governance. Organisational culture is a major influence on ethical behaviour and it is set at the top. It should thus be a key consideration for board committees and executive teams as they assess company performance, wider stakeholder impact and risk, and ensure they are adequately adhering to governance standards of practice (for example the UK Corporate Governance Code for listed firms). Tone from the top has been shown to shape ethical practices, and boards and their stakeholders must consider this through their actions internally, and their engagement externally.

Various systems, policies and practices can support the governance of ethical behaviour. One is that organisations should strive to improve transparency about the ethical risks that their organisation faces. By reporting on ethical risk and conduct, businesses and people professionals are better placed to identify and manage these risks. Currently this is an area of substantial weakness. Between 2015 and 2017, reporting on ethics in FTSE 100 company reports fell by 11%,[84] and previous research has also found that businesses tend to report less on individual ethical misconduct or specific incidents and instead talk more broadly about ethical issues. In short, the level of detail in some corporate reports means there is not a clear picture of risk posed by employee ethics.[85] While organisations do recognise the risk of employee misconduct, this reluctance to report means organisations are missing out on an opportunity to understand and improve employee experience.[86]

Further research by the High Pay Centre and the CIPD87 has called for reformation of remuneration committees (RemCos), recommending the formation of people and culture committees, with enhanced reporting on non-financial outcomes for a wider group of stakeholders (such as, for example, suppliers, employees themselves and wider societal impacts). In moving away from a narrow financial focus, with a wider view on corporate cultures, RemCos, or people and culture committees, have a role to play that has the potential to shift business culture for more ethical outcomes. This will mean they need to understand the risk factors for unethical behaviour outlined here.88

Finally, as experts in people and change, people professionals have a central role to play in role-modelling ethical practice and taking business and employee outcomes into account when making decisions. In today's climate, short-term business outcomes dominate decision-making, and we need to work towards a more sustainable, human-centred future of work. Just as for other parts of the business, HR professionals can be overwhelmed by pressures to compromise ethical principles to meet business needs. As we found in previous research, *'while HR practitioners and business leaders want to make ethical decisions, in some circumstances they either deprioritise ethics or do not feel able to apply ethical principles in practice.'*[89]

Nonetheless, the HR and people development functions are best placed to understand and shape workplace behaviour. Along with boards, they are natural guardians of ethical culture. To support our members to champion better work and working lives, the CIPD has set out professional principles; our fundamental belief as a profession is that work matters, people matter and professionalism matters. The CIPD has developed its new Profession Map[90] to support the profession to apply these principles in practice.

Ethical risk is a fact of business life, but the pervading short-term focus of many businesses and the tendency to put profit before broader stakeholder interests make unethical decisions more likely. Regardless of short-term business gain, unethical behaviour must not be tolerated, as doing so condones such behaviour and creates or reinforces an understanding that ethics come second to profit. Grey areas will emerge as the world of work changes, but we can usually identify ethical courses of action. Having the courage to challenge unethical behaviour is imperative to protect business reputation and ultimately enhance the economic and societal impacts our organisations have.

⑩ **Notes**

1   Financial Reporting Council. (2018) *The UK corporate governance code.* Available at: www.frc.org.uk/getattachment/88bd8c45-50ea-4841-95b0-d2f4f48069a2/2018-UK-Corporate-Governance-Code-FINAL.pdf [Accessed 10 January 2019].

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3   Findlay, P., Thompson, P., Cooper, C. and Pascoe-Deslauriers, R. (2017) *Creating and capturing value at work: who benefits?* London: Chartered Institute of Personnel and Development. Available at: www.cipd.co.uk/knowledge/work/job-quality-value-creation/value-work-report [Accessed 10 January 2019].

4   We adapt our terms here from Kish-Gephart and colleagues (2010), who describe 'bad apples, bad barrels and bad cases' and whose broad framework we adopt. For more, see Kish-Gephart, J., Harrison, D. and Treviño, L. (2010) Bad apples, bad cases, and bad barrels: meta-analytic evidence about sources of unethical decisions at work. *Journal of Applied Psychology*. Vol 95, No 1. pp1–31.

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7   For a discussion of what we mean by the best available evidence, see CIPD. (2016b) *In search of the best available evidence*. London: Chartered Institute of Personnel and Development. Available at: www.cipd.co.uk/knowledge/strategy/analytics/evidence-based-decision-making [Accessed 8 January 2019].

8   For more detail on the methodology and the results of the REA, see the accompanying technical report, available at cipd.co.uk/ethicalbehaviour

9   For more information on evidence-based practice in HR, see https://peopleprofession.cipd.org/profession-map/core-purpose/evidence-based

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11 For further examples of definitions and measurement of unethical behavior, see the technical report, which can be found at cipd.co.uk/ethicalbehaviour

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90 Explore the new Profession Map at https://peopleprofession.cipd.org/

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