Chapter 1
Moral Behavior in Organizations

Abstract People generally want to do what is morally right. This is also true in the workplace, as research consistently shows. Yet every day we encounter situations in which people in organizations act in ways that appear immoral. How can this be? This chapter explains the *paradox of morality* as a **key issue**: it is exactly *because* people are so motivated to think of themselves as morally good that they are reluctant to acknowledge or consider the moral flaws of their actions. Our **analysis** reveals why it is not always easy to do what is morally right, despite good intentions. Even where people agree about key moral principles, they may differ on what these would prescribe in specific situations. In a moral dilemma, people often disagree which is the lesser of two evils. When facing such dilemmas in the workplace, people turn to others to help determine what decisions and actions are appropriate. Standard **solutions** aiming to improve moral behavior of people in organizations can be optimized by taking into account these hidden forces relating to social identities and self-views. Explicit efforts to influence moral behavior in organizations are unlikely to be effective if they are not aligned with more implicit forces defining the ethical climate in the workplace.

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1.1 Key Issues: We All Want to Be Moral

Across the world, people tend to subscribe to very similar moral values and principles, raising their children to be honest and fair, loyal and sincere (Haidt, 2012; Schwartz, 1992). Also in pursuing their own goals and interests, most people take care not to harm others, and to help them if they can. Research consistently shows that – if forced to choose – most people find it more important to be honest, reliable, and sincere than to be competent and smart, or even likeable (Ellemers et al., 2008; Pagliaro et al., 2011; Pagliaro et al., 2016). For instance, people invest more effort in showing a good task performance when they think they are being evaluated for their moral values than when they think they are demonstrating their ability to learn new skills (Ståhl & Ellemers, 2016; Van Nunspeet et al., 2015). This desire to do what is morally right and to be seen as moral by others is very strong and has been consistently documented with various research methods across a broad variety of populations in different countries (for overviews see; Ellemers, 2017; Ellemers, Pagliaro, & Barreto, 2013).

The desire to be moral extends to the workplace. Research shows that people prefer employment in teams and organizations that are seen as moral, and that this benefits their well-being as well as their task performance (see Fig. 1.1). For instance, in seeking employment people are more attracted to work teams and organizations that have a reputation for being honest and treating customers fairly rather than focusing on profit or offering attractive career prospects – if they can't have both (Van Prooijen & Ellemers, 2015; Van Prooijen et al., 2018). Employees are more satisfied with their job and more committed to their organization when it engages in socially responsible activities that make the organization seem moral (e.g., Ellemers et al., 2011). When getting to know their co-workers or forming impressions of organizations and institutions, people seek information about the moral stature of these individuals or groups before anything else, and this

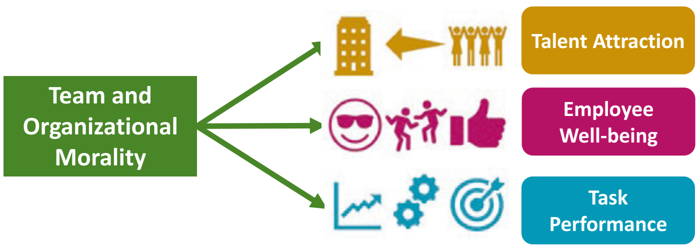

Fig. 1.1 The moral organization. Summarizes findings from many scientific studies. Together, these demonstrate that individuals who perceive a work team or organization as moral are: (a) more attracted to apply for a job in that organization or to work in that team, (b) report greater satisfaction and wellbeing, and (c) show higher performance when working in such an environment. (Ellemers et al., 2008; Ellemers et al., 2011; Pagliaro et al., 2011; Pagliaro et al., 2013; Ståhl & Ellemers, 2016; Van Prooijen & Ellemers, 2014; Van Prooijen et al., 2018; Van der Lee et al., 2017; Van Nunspeet et al., 2014)

information weighs heavily in the overall impression they form (Brambilla et al., 2013; Goodwin, 2015; Pagliaro et al., 2013).

No wonder that people ask organizations and their leaders to account for their moral guidelines, as well as the moral consequences of the choices they make or the actions they take. As citizens, and employees, as consumers and clients, as investors or as regulators, they question organizations regarding their social responsibilities and moral behavior – increasingly pressuring them when they are not satisfied with the answers they get. And organizations respond: they have to explain their moral position, even if they are not totally convinced this benefits their key mission or outcomes. Some organizations enthusiastically engage in activities that attest to their corporate social responsibility (CSR), but even those that are less passionate about such goals will nowadays at least pay lip service to these concerns and communicate to their stakeholders that they find this important.

1.1.1 Immoral Behavior Galore

Seemingly in sharp contrast to such statements and efforts, examples abound of cheating employees, lying managers, fraudulent organizations, and corrupt institutions. Given the importance people attach to morality, it is not surprising this often leads to public outrage – damaging the organization and its members in ways that are costly and not easy to fix.

A classic example is the 1970s Ford Pinto case, in which the American automobile manufacturer decided not to adapt defective fuel systems that might explode. Allegedly they reasoned that the total expense of making the Pinto safer – said to cost 11 US dollars per car at that time – would be larger than the cost of deaths, injuries and car damages resulting from accidental explosions (Gioia, 1992). Stepping up external production regulations does not necessarily resolve such issues. This was evident from the more recent “Dieselgate” fraud, where German car manufacturer Volkswagen manipulated emission tests, in order to make the car meet regulatory requirements in the USA.

Such morally questionable decisions are not only made in manufacturing industries, but also in other sectors, as we will see throughout this book. Since the global financial crisis we are well aware of all the things that can go wrong in the financial services industry, and the measures that have been taken to reduce such risks. Nevertheless, ING, a Dutch bank with an international network, neglected to conduct the required background checks on many of its customers. Their computer systems restricted the number of suspicious transactions that were filtered out for closer inspection, to make them fit the limited resources the bank had made available to follow up on such cases. This facilitated the laundering of large sums of criminal money over many years – a liability of which the bank was fully aware. When this came to light, this resulted in an unprecedented out-of-court settlement of close to 800 million Euros. It also forced the bank to heavily invest in upgrading their controls. The public outrage over this scandal and the loss of reputation for the bank was huge. In social media it was graphically symbolized in the bank's logo with the orange lion. The adapted version depicted one of its claws showing the middle finger, symbolizing the supposed disdain towards the bank's clients and the general public. Notwithstanding the financial settlement made by the organization, CEO Ralf Hamers still faced criminal charges. The court ruled to open a case against Hamers because he had failed to take public responsibility for his actions.

Irresponsible or immoral decisions are made not only at the expense of reputations or profits but also at the cost of human lives. This was the case at Boeing. The US aviation company was aware of problems with its newly developed flight control system MCAS. Yet it continued to install the system in its 737 Max jet airplanes. In 2018 and 2019 this resulted in two airplane crashes in which 346 people died. Safety regulation did not prevent this: the new airplanes and their control systems had passed certification procedures at the (US) Federal Aviation Administration (FAA). Email correspondence displayed in a public investigation by the American Congress revealed that Boeing had simply lied to the regulator.

Blatant breaches of relevant guidelines, disregard for the costs and well-being of customers and clients, and neglect of the public interest not only occur in organizations whose primary motive is making profit. All these problems also emerge in public institutions, even at national level. Perhaps this does not come as a surprise in countries that are seen as high on the list of public sector corruption by experts and business people. For instance, systematic doctoring of athletes' doping tests occurred in Russia, ranked number 137 of 180 countries in the 2019 corruption perception index (Transparency International, 2020). However, similar problems emerge in countries where the rule of law is held in high esteem, such as the Netherlands, which ranked number 8 of 180 in the same index. Even in institutions that aim to maintain public order and compliance with regulations, corruption and unethical behavior is tangible. For instance, the Dutch justice ministry of Justice was found to have deliberately misrepresented research results that did not support its policies, ongoing nepotism was revealed at the Dutch public prosecution office ("Public Prosecutor Placed under Stricter Supervision," 2020), and discrimination, misbehavior and bullying emerged as persistent problems in the Dutch national police (Pieters, 2019). In fact, forms of behavior that unambiguously violate key moral principles are also perpetrated, condoned, and sometimes actively covered up in not-for-profit organizations whose core mission it is to care for the wellbeing of others. Well-documented examples include the harassment and sexual abuse of Haiti hurricane victims by humanitarian aids working for Oxfam (O'Neill, 2018), as well as the long-term abuse and rape of children by priests and cardinals of the Catholic Church (Böhm et al., 2014; see also Box 2.2).

And on it goes. In different media, we can see a never-ending stream of examples documenting fraud, corruption, negligence, breaches of trust and misbehavior of individual workers, entrepreneurs, organizations or whole sectors of industry (see also Soltani, 2014). This would seem to suggest that people are inherently selfish and that it is common practice for individuals as well as businesses to avoid, bend or break rules and regulations. Apparently, this is all for their own gain and benefit, showing a general lack of care for others and their interests. It is no wonder that many have developed a cynical view on human morality and the moral standards of entrepreneurs and business people in particular (e.g., Cohn et al., 2014).

1.1.2 The Paradox of Morality

The more such examples come to light, the more they beg the question of what is driving the flawed choices made by these organizations and the people working in them. Citing selfish motives only makes this question more pressing, in view of all the damages those involved are likely to suffer. Even problems that seem to remain unnoticed for many years, eventually backfire at great cost to the organization, the individuals responsible for its actions, as well as the private and public investors who finance these organizations. The reputational and financial costs associated with legal procedures and fines, liability and compensation payments, expenses for product recall and improvement, and loss of business can be quite substantial. Some organizations never fully recover, or are even forced out of business. If the outcome of getting caught is so severe – effectively killing brand reputations, ending successful careers, causing organizations to go bankrupt or even resulting in the slow death of whole industries – why would they even take this risk?

This question is even more puzzling given all the research evidence cited at the start of this chapter, showing that people generally do care about morality and try to be fair, caring, and loyal to others. In fact – and fortunately – most entrepreneurs, employees, teams, and organizations would not consciously decide to go against known rules, nor would they deliberately harm clients, the environment, the government, other institutions, or the general public. Yet there is no direct relation between moral intentions and moral outcomes. Of course, we are not the first to have noted that even good people can do bad things. This can happen, for instance, because they do not pause to consider the impact of their actions on others, underestimate the force of their emotions and habits, or neglect the wider implications of their business decisions (Mazar et al., 2008; Moore, 2008; Moore et al., 2012; Shalvi et al., 2015). In this book, we build on these prior insights but also extend them. A key aspect of our analysis is what we call 'the paradox of morality': How intentions to do what is morally right, can prevent people from seeing their own actions as morally wrong – and make them persist in their moral failures. We argue that people prefer to explain and justify how past behaviors align with their good intentions, rather than working towards moral improvement. Defensive responses also reinforce and maintain existing work habits, task efforts, and strategic decisions of individuals and groups in the workplace – even if these are morally flawed.

Throughout this book, we will present evidence to reveal that it is precisely the desire to do what is moral, and (anticipating) the social pain of being seen as immoral by others, that prevents people from fully considering the harm of their actions to others. We build on experiments showing the extent to which people get upset and feel threatened if they are criticized for the moral choices they make (e.g., failing to correct a cashier who gives back too much change), or when they are asked to reflect on their own moral failures (e.g., lying to a friend). Even when people choose not to share their emotions, this can be captured from involuntary physical indicators. It is visible for instance in changes of their brain activity, heart rate, and blood pressure (e.g., Kouzakova et al., 2014; Van Nunspeet et al., 2014). Such responses occur autonomously, revealing when people are stressed, alert, engaged, or emotionally affected, even if they are unable to consciously recognize this or unwilling to acknowledge this is the case (Blascovich & Tomaka, 1996; Greenwald et al., 1998; Seery, 2013). The discrepancy between self-stated intentions and involuntary physical and emotional responses reveals the intensity of the stress people experience when they fail to live up to their moral intentions.

In general, people are quite reluctant to admit – sometimes even to themselves – that they feel guilty or ashamed about their own moral behavior. People can call on different strategies to deal with such emotions (blaming the situation or other distractions), to convey that this is not how they 'really' are. On the one hand, this can help them alleviate the sense of threat raised by the thought that their acts may be morally flawed. On the other hand, use of such self-protective strategies also causes people to defend and justify misguided choices, or to ignore the broader implications of their actions (Bandura, 1999; Giner-Sorolla, 2012; Shalvi et al., 2015). The more people invest in highlighting their good intentions and defending what they did, the less likely they are to seriously consider the moral flaws of their actions. Yet admitting that problems exist is a necessary first step to improve individual and organizational moral behavior. Hence the term paradox of morality.

Considering the nature of this social pain and the conditions that foster it, explains why so many people tend to look away from the moral implications of their actions. They prefer to seek approval for their moral decisions rather than exposing themselves to moral critique. This is not to deny that pathological liars, professional fraudsters, and accomplished con-artists also exist. However, our current goal is to understand the day-to-day psychological mechanisms that can explain more common occurrences of morally questionable behavior demonstrated by 'normal' people – who try to do what is moral but fail. Acknowledging these mechanisms – and adapting the organizational circumstances that invite them – is needed to effectively promote moral behavior in organizations. Our aim is to offer a comprehensive understanding of the aspects of organizational life that may unwittingly invite and perpetuate immoral behavior in and of organizations. This can inform and strengthen efforts that invite people to behave in line with their own moral ideals – also at work.

1.1.3 The Search for a Quick Fix

When blatant breaches of moral guidelines (and the harm this causes) are publicly exposed, this raises the urge to 'do something'. Such calls from the general public, government institutions or own staff often press management to 'take decisive action'. The priority is to convey commitment to change, even when the primary goal only is to prevent further reputational damage for themselves as well as the

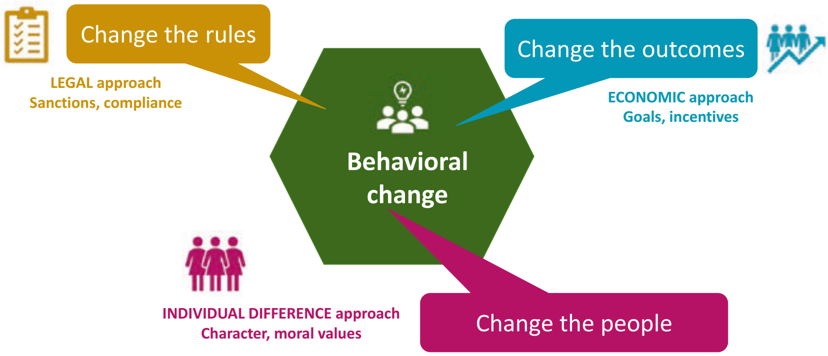

Fig. 1.2 Three quick fixes to curb unethical behavior. Depicts three common strategies that are used as 'quick fixes' to achieve behavioral change in organizations. Throughout this book we note limitations of attempts to curb unethical behavior simply by changing the rules, changing the outcomes or changing the people

organization. Not surprisingly, this approach tends to promote the search for a quick fix instead of a thorough analysis of underlying causes and psychological mechanisms that have led to these problems. So what would a quick fix be in the case of Boeing? Would everything change if the CEO resigned? Might compensation payments or legal fines prompt Boeing to conduct more extensive tests before new technology is installed in its airplanes? Would setting up more elaborate rules and stricter controls by the FAA rule out future safety issues at Boeing?

Each of these fixes points to at least one of three common ways to explain and influence behavior in organizations: by searching for individuals with other character traits and moral outcomes ('changing the people'), by adapting key goals and incentives ('changing the outcomes'), or by introducing sanctions and stricter compliance monitoring ('changing the rules'; see Fig. 1.2). The first represents the tendency to attribute the causes of strategic choices and the prioritization of particular outcomes (e.g., profit) over others (e.g., safety) to the stable personality characteristics of specific individuals. This would suggest that hiring and firing the right people is key to organizational success. We will refer to this as *the individual difference approach*. Second, most businesses and other organizations rely heavily on motivation models and cost/benefit calculations informed by economic reasoning. We will refer to the wide-spread use of material incentives (rewards and sanctions) to understand and influence the behavior of the members of the organization as the *economic approach*. Third, there is a strong tendency by regulators both from within the company and external bodies to harness control mechanisms in order to enforce compliance. Here we refer to the regulatory practice of imposing increasingly comprehensive rules and developing ever more detailed procedure manuals as the *legal approach*.

It is for good reason these three approaches exist. Human behavior is influenced by personality characteristics, instrumental concerns, and control mechanisms to some extent at least, and we will consider these approaches more thoroughly further on in this chapter. However, despite the wide-spread use of measures tapping into these three most common approaches, these do not seem to stop people from lying and cheating, or from making irresponsible decisions time and again. Incidents recur not only in commercial companies but also persist in a range of other sectors, including sports (match fixing in soccer, doping in speed cycling and athletics), science (plagiarism, misrepresentation, and fabrication of research findings), as well as politics and public offices (nepotism, lobbying and bribery). This not only seems to attest to the inherent fallibility of human morality – even despite good intentions – but also reveals the limits of common solutions to fix such problems.

We go beyond these common approaches, by systematically analyzing the *psychological mechanisms* that contribute to a range of organizational problems relating to morality. We delve deeper into the intricate social processes at play in organizations, to provide an additional layer of understanding. Explicit strategies to realize moral intentions tend to highlight selection and development of individuals, try to steer their behavior with sanctions and incentives, and hope to control this through regulation and monitoring – acting in line with the three quick fixes we identified. However, in addition to these visible ways to influence moral behavior, standard organizational procedures and practices also define the *implicit moral climate* – which influences moral behavior in less visible ways (see Fig. 1.3). We argue that common organizational practices and procedures relying on the three quick fixes can unwittingly undermine rather than promote the circumstances under which organizations and their members are likely to behave in ways that can be seen as moral. If organizations don't take these implicit and less visible mechanisms into account, their explicit attempts at moral improvement are unlikely to be successful.

The *first* key feature of to our approach is the observation that individuals and the (work-related) decisions they make are also guided by *group memberships*, organizational roles, and implicit demands of specific situations. *Second*, we demonstrate that these group memberships, roles, and situations raise emotions, social concerns, and *post-hoc justifications*. These can overrule cost/benefit calculations or

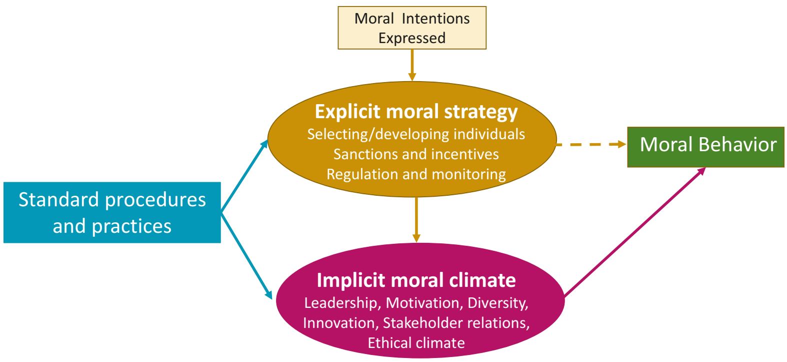

Fig. 1.3 What stands in the way of moral behavior? Illustrates that there is no direct link between moral intentions and moral behavior. Standard procedures not only capture the explicit moral strategy, but also define the implicit moral climate. The implicit climate often is a less visible but more powerful determinant of moral behavior than the explicit strategy

economic incentives that guide behavioral choices, especially in the moral domain. *Third*, we note that top-down imposition of rules invites tick-the-box compliance and prevents *norm internalization* that would allow people to more fully engage with the moral responsibilities associated with their organizational roles. Without an analysis of such 'soft' factors, moral behavior in organizations cannot be fully understood, nor can it be promoted to such an extent that it has a long term impact.

1.2 Analysis: It Is Not as Easy as It Seems to Do What Is Morally Right

A word of warning is appropriate: morality is extremely difficult to define. It is a much more elusive concept than most people think (see Box 1.1), and the roads leading to moral behavior are thorny and have surprisingly winding side paths.

Box 1.1 Defining morality

This book is about moral behavior in organizations. But what do we mean by this? In line with the Stanford Encyclopedia of Philosophy (Gert & Gert, 2020), we define morality as indicating *standards for acceptable vs unacceptable behavior* that allow people to work and live together in communities and societies (for a more extensive discussion see Ellemers, 2017).

The *behavior* that people display thus is an important cue to determine their moral standing. Such evaluations are not only made for individuals, but also for whole professions, teams, or even organizations (Ashforth et al., 2020). However, there often is no one-to-one relation between specific behaviors and key moral principles. Attempts to define and evaluate which behaviors are acceptable (and which are not) often refer to abstract principles and human virtues, such as fairness, care, and loyalty. As we note in Chapter 1, in many concrete situations such general guidelines are not very helpful. What would be fair, who deserves our care, and how much should we sacrifice to display our loyalty?

One of the key points in this book is that it is not possible in every case to specify ahead of time what is morally acceptable and what is not. In practice, people and groups therefore often *disagree* about the precise behaviors they consider morally acceptable. In fact, they may refer to different interpretations of the same moral standards. This doesn't mean that anything goes. However, people tend to shift the boundaries of what they consider acceptable behavior also as a strategy to justify their own choices and mitigate identity threats (Ellemers, 2017; Ellemers & Van der Toorn, 2015).

How then do people evaluate the moral standing of individuals, groups, and organizations? They do this mostly by trying to *infer the (true) goals and* *intentions* of actors whose behaviors they can see. In line with standard models of social evaluation, such inferences about underlying and sometimes 'hidden' intentions can be distinguished from friendly vs unfriendly displays in social interactions (Abele et al., 2020).

In considering behavior in and of organizations, people try to assess whether the actions and statements they observe seem *honest, reliable, and sincere* (Ellemers & Van den Bos, 2012: Leach et al., 2015). In this context, honest mistakes may be accepted or even forgiven. However, deliberately misleading regulators or subordinates, intentionally cheating customers or investors, or systematically lying to employees or supervisors would all qualify as examples of immoral organizational behavior, and indicate unethical business practices.

Even if this definition does not offer a clear list of do's and don'ts, in daily practice it can be relatively easy to test the morality of specific actions and choices. Based on our definition that morality indicates the social acceptability of one's behavior, three simple questions can help (see also Kouchaki & Smith, 2020). These explicitly consider the social implications of specific actions by testing: (1) is this something you would be proud to share with your loved ones? (2) is this something you would like to be remembered for? (3) is this how you would like to be treated yourself? A regular and open discussion of such questions in the workplace can guard against actions that are not socially acceptable, and benefits the transformation towards a moral organization.

In philosophy different schools of thought defend different moral principles, but all tend to refer to implicitly shared ideals to capture 'universal' rules of conduct to define what is moral (Churchland, 2011; Morris, 1997). For instance, consequentialist approaches emphasize the beneficial vs harmful *outcomes* of people's actions to decide what is morally right. Helping others is morally right, harming them is not. Deontological ethics, however, refers to 'sacred duties', arguing that some *rules* (always be fair, always protect human lives) should never be violated, regardless of how this helps or harms people in other ways. Even though there is something to be said for both these principles, in any given situation, they do not necessarily point to the same course of action. This already clarifies that it is not so easy to do what is morally right. It is also in line with Nietzsche's thesis that good and evil do not exclude each other, as what is a moral act for one person can be an immoral act for others (Nietzsche, 1894).

Attempts to align different principles, for instance in the 'Golden Rule' (don't do to others what you would not have others do to you; Churchland, 2011; Morris, 1997), or striving for 'the greatest good for the greatest number' (Mill, 1861/1962) do not necessarily resolve this. These are the moral dilemmas faced for instance by those having to decide about military peace keeping operations: Is it all right to sacrifice the lives of some innocent citizens if this helps prevent a larger conflict that is likely to cause many deaths? Or should killing people never be seen as a moral cause of action, regardless of the circumstances? Even if there is political and legal approval for such actions, the trauma experienced by the military personnel involved attests to the emotional costs and long-term implications of breaching such basic principles of human morality.

In psychological research, these and similar dilemmas are commonly used to examine the moral development of individuals, or to specify the intuitive and rational aspects of deciding about acceptable vs unacceptable courses of action (for an overview see: Ellemers et al., 2019; see Box 1.2). However, if there is one thing both contrived and more realistic dilemmas reveal, it is that it is not always easy to decide what is moral. Are all lives equally precious? Are all rules equally sacred? What about cases of civil or organizational disobedience? Sometimes people deliberately decide to violate organizational rules and receive praise for their moral courage – even when breaking the law. This happens for instance when people offer employment to illegal migrants so that they can earn a living, when doctors treat patients without medical insurance, or when schools educate students who can't pay tuition. The COVID-19 pandemic clearly highlights how each decision raises new moral issues. Who is to say what is moral and what is not?

Box 1.2 How psychologists examine morality

In the development of psychological thinking about morality and moral behavior, three prominent traditions can be distinguished, which we summarize below (Ellemers et al., 2019; Giner-Sorolla, 2012; Greene, 2013; Haidt, 2012). In this book we adopt a fourth, more recent approach, that examines moral behavior in relation to people's self-views and identities.

1. *Morality as a stage in human character development:*

   This developmental approach assumes that children gradually advance in their moral judgment through lessons learned from adults, such as their parents or teachers. Over time they are increasingly able to recognize standards of morally acceptable behavior (Eisenberg et al., 2002). In this view, children ideally progress through different stages of moral development, in which they come to internalize important social norms (e.g., do no harm), and learn how to exercise self-control to curb selfish impulses (Heilbrun & Georges, 1990; Kohlberg, 1971, 1978; Rest, 1986). The assumption then is that moral failures are tied to lack of developmental maturity in specific individuals.

2. *Morality as an individual difference variable:*

   The personality approach assumes that the tendency to behave morally represents a fixed character feature, that predicts people's behavior across many different situations. Expanding the well-known 'Big Five' model of personality traits (Goldberg, 1990; McCrae & Costa Jr., 1987, 1996), the

HEXACO model proposes Honesty/Humility as a separate personality aspect (Ashton & Lee, 2007, 2008a, 2009; but see De Raad et al., 2010), which indicates people's ideas about social relations (Chirumbolo & Leone, 2010). People with lower ratings on the Honesty/Humility trait are more inclined to display remorseless and unethical behavior, for instance in business contexts (Ashton & Lee, 2008b; Paulhus & Williams, 2002). This view assumes that moral failures can be avoided by selecting people with the 'right' personality.

3. *Morality as a way to decide in difficult situations:*
   This cognitive approach is most closely connected to philosophical debates on how to define right vs. wrong. A prominent way to examine this is by asking people to make decisions where they are forced to choose the least of two evils (Bauman et al., 2014). Experimental paradigms examine which areas of the brain are involved in such decisions, and reveal when these are made intuitively, and when they require more deliberate reasoning (Haidt, 2001; Haidt & Graham, 2007; Graham, 2014). This approach addresses moral behaviors that result from deliberate individual decisions.

4. *Morality as a class of behaviors that elicits self-reflection:*
   A social approach to morality explicitly considers people's self-views and their relations to others (Rai & Fiske, 2011). In this view, moral principles offer 'supremely important' guidelines for social control, where transgressions may lead to social exclusion (Beauchamp, 2001; Ellemers & Van den Bos, 2012; Giner-Sorolla, 2012). The shared definition of which behaviors are seen as morally acceptable or unacceptable define the social value people assign to themselves in relation to others. Others who share similar standards for morally acceptable behavior help people define who they are, where they belong, how they should behave, and whose judgments they should ignore (Ellemers, 2017; Skitka & Mullen, 2002). This is the approach to morality that captures team and organizational level mechanisms relevant to moral behavior, and guides the analyses in this book.

If these examples show one thing, it is this: We tend to think it should be obvious what is moral (helping others) and what is not (harming them). But in reality things are not so black and white. In fact, observing how people behave does not necessarily reveal their underlying intentions (see also Fiske & Rai, 2014). Some would resists 'helping' another person because they know the immediate benefits requested mask long term disadvantages that will cost the person much more (López-Pérez et al., 2017). Decisions that are 'cruel to be kind' occur for instance when a bank turns down irresponsible loan requests, or when a doctor refuses to approve a popular treatment that will only make the patient suffer more. In a more general sense, it would be too simple to take people's visible actions as valid indicators of their underlying intentions. People don't always stop to consider the wider implications of their decisions, and even if they do, it may not be that obvious how their actions impact on the outcomes of others. When shopping for jeans and finding a bargain, would everyone realize that production at this price is only possible through sweatshop labor that violates human rights? And if so, would people think they can make a difference by refusing to buy the jeans already in the store? This is why the morality of human behavior lies as much in the *reasoning* about relevant concerns and *interpretation* of likely outcomes as in the behavior itself (see also Ellemers, 2018).

1.2.1 Two-Faced Individuals and Organizations

The ambiguity about what is morally right or wrong is also visible in the behavior of individuals and organizations. Let's consider some examples.

In 2017, Whole Foods Market Inc. was named a 'legend' for being on Fortune Magazine's list of the "100 best companies to work for", 20 years in a row (Cloud, 2017). The company motto: 'whole foods, whole people, whole planet', expressed the outspoken position of founder and CEO John Mackey on environmental issues through sustainable agriculture and a commitment to responsible business practices and community citizenship. Yet the same John Mackey used a false name to post on-line messages discrediting Wild Oats, a competitor in the market for wholesome food products. Allegedly he did this to lower the Wild Oats stock price before making a takeover bid (Manz et al., 2008). So how would you view John Mackey and his company? As an attractive employer and a model for responsible food production, or as yet another example of a ruthless and greedy commercial business?

Paul Polman, CEO of Unilever in 2009–2019 became well known for his 'sustainable living plan'. This specified that he aimed to double the company's financial turnover while reducing its environmental footprint with 50 per cent, and improving the health and working conditions of millions of people around the world. He defended his plans against those who thought his ideas were misguided and naïve, and inspired other business people to adopt similar goals. In 2017, however, the same Paul Polman was heavily criticized by employees, investors, and the media when he accepted a 51% pay increase which was clearly disproportionate compared with the salary raises enjoyed by the rest of the company. Further, in an attempt to fend off an attempt at hostile take-over by Heinz-Kraft, Unilever decided to abandon some of its social and environmental goals so as to increase short term profits (Smit, 2019). In retrospect then, would you think Paul Polman and the business strategy he advocated were really driven by the moral concerns cited in his sustainable living plan? Or was this just a smart way of playing on public sentiments to promote the company and advance his own reputation and legacy as a visionary business leader? Perhaps it was a bit of both.

And what to think about the philanthropy of the Sackler family? Highly admired and well respected patrons of the arts and sciences the Sacklers made large donations to museums and universities across the world for many years. The family capital they shared so generously was built on the profits of their pharmaceutical company Purdue Pharma. However, everything changed in 2019, when the company faced legal charges because of the addictive nature of their opioid pain killer OxyContin, which resulted in thousands of deaths from drug overdose in the United States alone. The family and its donations were no longer welcomed (Harris, 2019). Again, what to think about these people and their family company? Should we separate their commitment and generosity to the cultural and scientific community from their business practices? Can the good they tried to do somehow compensate for the bad that was caused by their family firm? Might they – at some point – have cultivated their status as community benefactors deliberately, to distract the media and the general public from asking questions about how this money was generated?

The same companies can be seen as moral or as immoral, and moral and immoral behaviors apparently co-exist, even within the same individuals. Billionaire software entrepreneur Bill Gates has been accused of breaking tax laws, but also seeks to give away a considerable proportion of his estate to charitable purposes. The same is true for many other wealthy entrepreneurs and investors. The frontman of rock band U2 'Bono' is well-known for his outspoken opinions about the moral responsibilities of governments and business leaders towards poor people in third world countries. Nevertheless, the 'paradise papers' revealed that Bono does not show more social responsibility than many companies and citizens in seeking out opportunities for tax avoidance, even while donating money to charity (Goff, 2017).

The cynical view – one often voiced by the media and members of the general public – is that all this is strategy. Individuals and organizations alike publicly pledge their commitment to socially responsible goals, hoping to improve their own or their company's reputation for their own personal benefit – or so it is thought (Ormiston & Wong, 2013). In reality things are rarely that simple. Every organization has to contend with multiple stakeholders, whose interests do not necessarily align (see also Chap. 7).

Companies are often forced by their shareholders to enhance their profits so as to avoid losing the financial security that allows them to select their own strategic priorities – for instance to become more socially responsible. In the light of the hostile take-over bid by Kraft-Heinz, Unilever decided to placate shareholders by starting a share buy-back program, increasing dividends, and reducing costs by 2 billion US dollars, even if this went against its sustainable living plan. CEO Polman stated "We had to make some practical compromises . . . which I frankly would not have done" . . . "We just deliver and let the numbers talk, but unfortunately that's not possible for the majority of how the financial markets still operate" (Edgecliffe-Johnson, 2018; see also Smit, 2019).

Or take Boeing. Core values of this company emphasize high standards and accountability for engineering excellence. The pledge to prioritize safety, quality, and integrity in its production methods and services explicitly states: 'that's why we will always take the time to get the engineering right' (Boeing, n.d.). Yet the accidents with the 737 Max were attributed to pressure placed on the construction department to deliver this new airplane ahead of competitors in the market. As the single surviving airplane manufacturer in the USA, the profitability of the company not only determines CEO bonuses, but also has national significance. It is needed to secure continued investment in new aviation technologies, and retain specialized expertise and production capacity for the USA. Boeing is also the main employer in the city of Seattle, providing jobs for over 150.000 employees worldwide (Statista Research Department, 2020). This makes it very likely that a range of different concerns prompted the company to speed up production to bring their new aircraft to market. It would be too easy to conclude that the people running this company simply are greedy individuals, or that the decision to cut corners in safety testing was prompted only by profit motives.

The clashes between multiple interests and the weighing of incompatible concerns not only burden organizational leaders who have to make strategic decisions. In their more mundane activities many employees face similar dilemmas on a daily basis. Some face so much ‘red tape’ that compliance with all the rules and regulations would prevent them from finishing their assignments on time. Others may feel compelled to perform tasks that are not allowed in their protocol. For instance, some teachers go against school policy by giving away food or school supplies to children living in poverty. Some healthcare workers ignore requests from management to work more efficiently when they take time to sit down with elderly clients to prevent them from feeling lonely. In fact, these unauthorized initiatives may contribute more to the educational or health outcomes that define the mission of their organization than protocolled tasks. All of these examples attest to one thing: people who try to do what is morally good often have to balance different principles, interests and outcomes against each other. The moral choices they make tell us about how they prioritize these different concerns in a specific situation, but this does not imply they are immoral. After all, the good Dr. Jekyll and the evil Mr. Hyde simply are different character reflections of one and the same person (Padnick, 2012).

1.2.2 Do We Even Agree on What Is Moral?

In part, the dilemmas people face in situations such as these stem from the problem that there is no direct relation between the abstract moral principles so many people endorse (being loyal or fair, caring for others) and the concrete behaviors these moral principles prescribe in a particular situation. This can give rise to cross-national differences in what are considered acceptable business practices, due to specific cultural interpretations of key organizational responsibilities and desired outcomes (Ahmed et al., 2003). For instance, Maori values in New Zealand have been found to translate into a focus on organizational stewardship and well-being as relevant business concerns, which are less prominent elsewhere in the world (Spiller et al., 2011).

We will see examples of similar issues, for instance in Chap. 5 on diversity and inclusion, where we show that even if all employees in the organization value fairness in career opportunities, they may still disagree on whether the adoption of a particular diversity policy makes the process more fair or unfair. For instance, talent programs for women may seem fair to those who think that the organization currently fails to notice the leadership potential of female employees. However, these same programs may seem grossly unfair from the perspective of men who feel excluded from the guidance and mentoring offered to women only. At the same time, the tendency of both groups of people to anchor their view on this specific issue (the talent program) in broader moral principles (importance of fairness) makes it very difficult to acknowledge that opposing views (for or against the talent program for women) may be driven by very similar moral concerns (the desire to secure fair procedures for career advancement).

These types of disagreements are not easy to resolve and can invite intense conflict. Conflicts sometimes are fueled by leaders of political factions or religious groups, who all claim their specific way of showing fairness, loyalty or care is the only acceptable way (Harinck & Ellemers, 2014). Disagreements about moral issues may come about not because some people adhere to moral principles while others do not, but because different people prioritize different moral principles (Haidt, 2012). In fact, this lies at the root of many political conflicts, where people disagree on whether to prioritize individual freedom over authority (should people have the right to abortion), loyalty over fairness (should we help the weak), or contrast purity with harm (should people be allowed to refuse vaccination; see Box 1.3).

Box 1.3 Moral principles and moral identities

Different theoretical approaches highlight the importance of socially shared moral principles for people's sense of self and identity. These often take a *normative* perspective, in that they define moral behavior as people's tendency to adhere to specific issues and principles. The final approach listed below is the one we favor in this book, because it addresses the *process* through which different views and behaviors can come to be seen as moral or immoral. This process is guided by situational factors that play a role in the workplace.

Moral Foundations Theory distinguishes between different types of *moral reasoning*. The assumption is that different principles that can be used to make moral decisions (so-called 'moral foundations' such as individual fairness and care or group loyalty and authority) are relevant for different people. The realization that others prioritize similar moral principles may tie people together, and is used to characterize and separate groups with distinct political or religious views (Graham & Haidt, 2010; Graham et al., 2009; Graham et al., 2011; Haidt, 2008, 2012). However, this does not explain how these broader principles translate into specific guidelines for acceptable behavior, for instance in the workplace.

Moral Mandates indicate *specific worldviews* characterized by behaviors that seem fundamentally right or wrong (such as female circumcision or gay marriage). Considering these convictions as universally valid and objectively true, makes people hostile towards others who contest their views, and can induce aggression between groups. The seemingly mandatory nature of such convictions causes them to resist new information or majority opinions countering their views. It can even make people reluctant to comply with legal authorities (Mullen & Skitka, 2006; Skitka et al., 2005; Skitka & Mullen, 2002; Skitka, 2010; Skitka et al., 2008). The cultural values and life choices central to this approach are not obviously useful to explain moral transgressions in organizations.

Moral Identity refers to the extent to which people use specific traits (such as honesty or care), as defining their *ideal self-views*. These internalized moral identities are seen to guide the behavioral choices people make, and impact on how far they extend their 'circle of moral regard'. This approach emphasizes individual differences in moral behavior. Yet evidence reveals that group-level and situational factors – such as performance-based financial incentives – can make internalized moral ideals seem less relevant as behavioral guidelines (Aquino et al., 2009; Aquino & Reed II, 2002; Reed II & Aquino, 2003; Shao et al., 2008; Smith et al., 2014).

The Behavioral Regulation Model highlights concerns for inclusion and social esteem as key *social mechanisms* that groups and their leaders use to regulate individual moral behaviors. By defining which behaviors emulate 'moral goodness' groups actively contribute to inviting, rewarding, and perpetuating specific behaviors in their members. Group-specific interpretations (e.g., don't cheat customers) of more abstract moral guidelines (care for others), are used to separate those who are respected and included from those who are devalued and shunned (Ellemers, 2017, 2018; Ellemers et al., 2013; Ellemers & Van den Bos, 2012; Ellemers & Van Nunspeet, 2020). This approach is central to the analyses in this book because it focuses on ways in which individual moral choices in workplace behavior can be influenced by situational forces represented by professional groups, work teams and organizations.

In a nutshell then, the problem is this: what is moral for some, is not moral for others – yet both parties are convinced of their own morality, sometimes even referring to the same considerations. Moreover, it is hard to compromise on morality and values, or to accept different viewpoints on – often – inherently emotionally involving topics. This is where we begin to see why it is so difficult to resolve choices that are morally charged. In the next chapter we will further explain why it is impossible to understand such moral conflicts without taking into account people's social roles and group memberships. The different roles and responsibilities people have at work and in life, and the groups to which they belong, color their perspective on the situation that drives their moral convictions. The reverse is also true, as supporting and enacting specific guidelines for moral behavior also communicates loyalty to specific groups, and secures acceptance and inclusion by others. Considering these social influences and group-level mechanisms is crucial to understanding how people deal with moral dilemmas in organizations, as we will elaborate in Chap. 2, when explaining the social identity approach to moral behavior in organizations.

So how can people in organizations do what is morally right? By definition, organizations are made up of many different individuals who have to work together as employees and managers. Yet they may disagree about the importance of different moral principles as well as the specific courses of action these prescribe for their behavior in the workplace. Moreover, those on the 'inside' of the organization may weigh the likelihood and severity of specific outcomes differently than those on the outside, simply because they view these from a different perspective. For instance, a study found that professionals in the packaging industry were less inclined to consider the ethical implications of depicting attractive graphics on hazardous products than their customers, even if all endorsed the same moral values (Bone & Corey, 2000). Such moral disagreements that refer to the prioritization of different concerns or outcomes usually cannot be resolved simply by seeking additional information or weighing the costs and benefits of different options. In fact, as we have seen, the paradox of morality implies that especially when people are motivated to do what is morally right, they find it painful to consider that others might disapprove of their moral choices. The net result is that people tend to feel extremely uncomfortable engaging with the question of how and why their moral preferences deviate from those of others. In people's personal lives they can resolve this by seeking out others (for friendship, or political action) who endorse the same moral principles and approve of their moral choices, instead of challenging them. In the workplace, people usually do not have the luxury of choosing with whom to interact.

1.2.3 Moral Disengagement as a Way Out

At work, people are compelled to spend time and join forces with others who might have very different views on important moral choices. What happens then? More often than not, this will lead to frustration and conflict. Scientific research shows that people tend to experience discomfort when others make them consider the moral implications of their behavior. This was the response observed in a study where individuals went along with the request to argue for something they disagreed with, before confronting them with 'moral rebels' – who refused the same request on the grounds of it being unethical. Participants in this research disliked and even discredited the moral rebel. Instead of reconsidering the moral rectitude of their own actions, they resented the person who exposed the moral hazards of their own unthinking compliance (Monin et al., 2008). Likewise, it was revealed that employees who report unethical behavior in the organization (employee theft or fraud) are seen as highly ethical but are also disliked by their co-workers (Treviño & Victor, 1992).

A popular way out of this moral minefield is to simply avoid considering morality in the workplace – by ignoring the moral implications of choices that are made. Following Milton Friedman and his influential ‘Chicago School’ approach to economics, separating moral judgments from business decisions (considering these to be ‘amoral’ – not relevant to moral concerns) is what many business schools teach future generations of business leaders (e.g., Bayer & Rouse, 2016; Derks et al., 2018; Painter-Morland & Slegers, 2018; Parker, 2018; Rosati et al., 2018). Just focusing on the financial costs and benefits to determine the business outcomes of different actions, or monitoring whether decisions are acceptable from a legal point of view makes the discussion about appropriate vs inappropriate forms of behavior in the workplace more realistic and manageable. This seems a viable, commonly used strategy which encourages organizations to consider different stakeholders merely as self-interested agents instead of incorporating moral and other-regarding concerns into their decision making (Jones et al., 2007). However, neglecting moral concerns can also lead organizations to develop ‘ethical blind spots’ that put them at risk of inviting or condoning practices that clearly violate common moral principles (Martin et al., 2014; Moore et al., 2006; Sezer et al., 2015). Focusing one’s attention away from moral concerns can alter important priorities, and prevent people from considering how the achievement of business goals may jeopardize social responsibilities of the organization and its members (Stachowicz-Stanusch et al., 2017). This is a relevant risk, especially in organizations that focus on short term goals and outcomes (Bazerman & Tenbrunsel, 2011; Burrows, 1993; Moore & Gino, 2013).

The decision to only consider cost/benefit calculations or legal implications, implicitly conveys messages about human nature and the moral values that are (not) important in the organization (Rehn, 2008; Treviño & McCabe, 1994). This happens for instance in the common practice of labeling human workers as organizational ‘resources’ or social ‘capital’ (Ayios et al., 2014; Greenwood, 2011). Even without meaning to, using these business terms can facilitate the tendency of considering people only as a potential asset or liability in relation to business interests (Mease & Collins, 2018). This makes it easy to forget about the human needs and broader concerns of these individuals. It puts the organization at risk of failing to care for the well-being or long term interests of employees as valued stakeholders, instead of considering them as expendable resources. Likewise, the common practice of applying sports and game metaphors in the language of business impacts on the implicit understanding people have of the key goals and ethical guidelines that are relevant (Hamington, 2009; see also Morgan, 1986). This makes it easy to think that in business people should do ‘anything to win’, or to view the consequences of their decisions for workers, clients, and other stakeholders as being ‘all in the game’. Yet this is the type of instrumental business culture that has been associated with the emergence of cheating, fraud, and other forms of unethical behavior in organizations (Martin & Cullen, 2006, see Chap. 8).

The persistence of such seemingly innocuous labels and widespread business practices – and the powerful messages they convey about the ‘real’ goals and priorities of the company – might also explain why formal instruction in business ethics so often seems ineffective (Waples et al., 2009). Providing instruction in the form of isolated courses is bound to have little effect, as long as business and legal concerns permeate all the implicit assumptions and standard approaches students are taught to use in addressing a variety of topics in management (see Box 1.4). This also explains why it is so difficult for organizations and the people working in them to behave consistently in ways that are considered 'moral' or ethically responsible, even if this is what they honestly try to do.

Box 1.4 Economic approaches to human behavior

Several Nobel prizes in economics (awarded to Herbert Simon, Daniel Kahneman, Richard Thaler, George Akerlof) highlight the added value of psychology to understand economic decision making (Akerlof & Kranton, 2010; Akerlof & Shiller, 2010). The notion that psychological mechanisms can inform economic decision making is recognized by the development of behavioral economics, economic psychology, and neuro-economics as areas of interest. For instance, studies with economic games reveal that people do lie or cheat for self-gain, without anticipating this or even admitting this is what they do (Ariely, 2013; Shalvi et al., 2015).

Despite the added value and importance attached to insights from psychology, these are not incorporated as a matter of course in the standard economic models that are so commonly used in the business world. As a result, attempts to curb undesired behavior primarily focus on economic cost-benefit thinking – for instance by reducing opportunities for self-gain. This standard remedy assumes that people make decisions about acceptable vs unacceptable behaviors on economic grounds, rather than moral grounds. Being guided by models of human behavior that only distinguish between 'rational' and 'irrational' choices, actually prompts people to consider the consequences of their decisions as 'amoral' (a domain where moral judgments are not relevant) instead of encouraging them to think of their actions as moral or immoral.

The dominant tendency of economists to consider people as utility-maximizing actors is criticized by an international movement to 'rethink economics'. It was started by students demanding a better fit of their education to economic and social realities. Analyses of university economics programs reveal that the vast majority of courses continue to rely on quantitative models of market mechanisms based on rational choices, without addressing specific sectors, contexts, or real life economic problems. Other approaches outside this 'main stream' are optional and typically take up only a small fraction of course time (Tieleman et al., 2017). Thus, even if economists do acknowledge that insights from psychology about the role of emotions, information processing biases and heuristics in decision making are seen to contribute to the prediction of human behavior, this is usually not followed through in the problem analyses and practical recommendations they make.

In sum, people generally assume that 'everyone in their right mind' is likely to agree on what is morally acceptable and what is not. Our analysis shows why this implicit assumption is false. There are many situations, particularly in a work context, where is not very clear which moral principles apply, how these might be relevant, or what these would prescribe. Moreover, organizations generally have to contend with the interests of many internal as well as external stakeholders who may prioritize the different concerns affecting their view on what is morally right. It would be too easy to think that organizational choices that do not seem ethically responsible only indicate that the people making these choices must be immoral.

1.3 Solutions: Influencing Moral Behavior in Organizations

Earlier in this chapter, we outlined three typical approaches to dealing with immoral behavior in organizations: (1) the individual difference approach: find and replace the guilty individuals, (2) the economic approach: use incentives and punishment to get people on the right track, and (3) the legal approach: develop additional rules to specify (un)acceptable behavior and increase monitoring to make sure people comply with these rules. We will now provide a more in-depth analysis to show why the assumptions about human behavior underlying these quick fixes are far too limited (see Fig. 1.3). This should clarify why we highlight the emotional and motivational impact of *social roles and identities* and the moral ideals these represent – to complement these well-known perspectives.

1.3.1 Limits of the Individual Difference Approach

Many analyses of – and solutions for – apparently immoral behavior focus on the *individuals* who do things that are unethical or illegal. These are seen as the infamous 'bad apples'. Once they are discovered and removed, the problem is solved – or so we like to believe. This approach is in line with classic views in psychology which are based on the assumption that some individuals suffer from incomplete moral development during childhood (Rest, 1986). Some people just have difficulty judging what is morally right or wrong, or are simply not motivated to act upon such judgments, according to this view (see Box 1.2). Attempts to identify the character traits and other characteristics that predispose people to immoral or criminal behavior follow this approach (e.g., Becker, 1998; Detert et al., 2008). This has led to the development of personality inventories and other tests that aim to assess people's general inclination to display empathy, honesty, or humility, or ask them to indicate the importance they attach to behaving morally (Aquino & Reed II, 2002; Ashton & Lee, 2008a).

Some of these efforts target specific sectors that are seen as particularly vulnerable in this sense, for instance because their role in society is too important, or because the temptation may be too great. For instance, specific versions of ethics education and tests for integrity and moral development have been developed for students and professionals in accounting (e.g. Christensen et al., 2016; Kidwell, 2001; Lv & Huang, 2012). Business ethics education is put forward as a solution, by examining its impact on hypothetical decision making in moral dilemmas (e.g., Borkowski & Ugras, 1998; May et al., 2014), but does this predict actual behavior in work contexts?

Many studies attest to the limitations of these individual difference approaches, such as a meta-analysis which statistically summarizes the results of 136 different studies containing data from 40,000 workers (Kish-Gephart et al., 2010). This examination of possible origins of behavior in organizations found that the work *environment* is a more decisive predictor of moral behavior than individual level characteristics (such as empathy or private endorsement of moral principles, see also Treviño et al., 2014). Other studies too have documented the power of such situational factors. These revealed that the relation between individual moral intent and moral behavior depends on organizational characteristics (Jones, 1991), and demonstrated that institutional and community contexts also impact on individual moral reasoning (Shao et al., 2008).

Yet the individual difference approach is tempting and remains widespread. When an incident comes to light, the solutions sought to prevent future problems often reflect this individual level approach. These typically advocate increased scrutiny in personnel recruitment and training, aided by integrity tests and ethics classes. Measures such as these are put in place to identify and contain the problem by 'changing the people'. However, the reality is that similar problems occur time and time again, even after intensified efforts to identify and remove 'bad apples'. Apparently, investing in the development of ever more refined instruments to avoid hiring the 'wrong' individuals or to identify – and eliminate – those who have slipped through the recruitment net, does not solve all problems. There is also a clear downside to the bad apple approach: however convenient it may seem. No matter how great the relief it can provide to assume that the problem is solved after ridding the bad apple from the organization, the truth is it usually does not work. Often, aspects of the organizational culture or climate have promoted the problems that have come to the light. If these underlying long term issues are not resolved, such problems will persist – regardless of the individuals involved.

At Boeing, for instance, months after CEO Dennis Muilenburg resigned, 'foreign object debris' was discovered inside the fuel tanks of some 737 Max aircrafts (Jolly & Rushe, 2020). These remnants of tools, rags, and metal shavings left behind by workers during the production process could cause electrical short-circuiting and fires, and should have been discovered and removed during the final inspection of the aircrafts before delivery. Of course, CEO's will not be directly involved in managing such menial tasks, but this also clarifies that simply making the CEO resign did not necessarily contribute to solving the underlying problems at Boeing.

1.3.2 Limits of the Economic Approach

In organizations, strategic and everyday decisions are made on a continual basis. This requires that the costs and benefits of different options are weighed on the basis of many kinds of information. At management level strategic decisions are made about investments, pricing, staffing, production processes, etcetera. On the work floor individuals have to enact company policies by deciding which task to do first, what to do when things take longer than intended, or whom to ask for help if vital equipment is not working. It is hard to imagine an organization surviving without relying on the processing of relevant information that guides the cost/benefit calculations which inform rational choices.

Almost every society embraces the human ideal that the individual members of these societies are prepared to find and process appropriate information. Formal education and professional training programs teach people how to weigh the costs and benefits of different outcomes to make decisions based on rational considerations. Not surprisingly, most management theories on human behavior – and the management tools that are developed to influence it – are closely aligned to this human ideal. It is increasingly recognized that there are many non-rational aspects of human behavior. Yet organizational practices based on the standard rational choice approach persist and have – sometimes unexpected – moral implications (see Box 1.4).

Rational decision making based on cost/benefit trade-offs is not always appropriate, even in a business context. Let's take the two examples cited at the outset of this chapter: automobile producer Ford was seen to weigh the costs of adapting defective fuel systems in its cars against the expenses of injuries from accidental explosions. Boeing was accused of prioritizing speed and economy of production over the installation of extra safety options and additional certification procedures. Although different accounts of these incidents exist, public outrage in both cases was inspired in particular by the economic approach to these decisions. The personal safety and well-being of customers was reduced to a business cost that was factored into the rational decision making process.

Such reluctance to estimate and negotiate about the value of human lives in monetary terms has been identified as a specific instance of a more general phenomenon. These so-called 'taboo' trade-offs pertain to all situations where economic indicators are used to evaluate the worth of societal outcomes that many consider 'priceless', such as human lives, ecological survival, or world peace (Tetlock, 2003). Research has documented that people resist making such trade-offs. Decisions made on this basis may therefore backfire. For instance, local citizens resisted when financial payment was offered to compensate for the burden of industrial projects on the community (Terwel et al., 2014). The focus on rational choices and commercial calculations is even more likely to be considered inappropriate and result in consumer backlash for companies that are seen to serve a public function, for instance in health care (McGraw et al., 2011). Indeed, such concerns often arise whenever there is public debate about the maximum costs of medical treatments claiming to cure life-threatening diseases. Attempts to estimate the economic value of saving lives during the COVID-19 pandemic – weighing the impact of measures to curb spread of the disease against loss of jobs and income – were considered inappropriate by many, as they seemed to imply a taboo trade-off (Yakusheva, 2020).

Because so many consider it bad taste or even unethical to compare such morally charged communal outcomes in terms of their monetary value, a common temptation is to somehow bring moral outcomes and business outcomes to the same level. Facilitating decision making about such unequal comparisons can be achieved either by downgrading moral goals – reducing these to business-level concerns – or by upgrading business goals, invoking higher level moral principles which supposedly guide them. This strategy is used to defuse unwelcome moral appeals, by expressing suspicion that moral concerns are merely cited as a strategy to mask more selfish interests. For instance, consumer protests against industrial innovations that might damage the natural environment, may be refuted by arguing that in truth consumers are 'mainly concerned about price increases resulting from these innovations. Here, broader moral concerns about environmental protection are dismissed by assuming these arguments are driven by lower level and selfish economic concerns. Sometimes, these suspicions are justified. Indeed organizations may seek acceptance of their decisions, by highlighting benefits that would address moral – instead of economic – concerns.

Some businesses hope to pre-empt public critique for neglecting environmental damage of their activities in this way. For instance, they may point out the public interest in retaining jobs for the local community – which is made possible by saving on expenses for environmentally responsible production methods. In this case, the decision to sacrifice the environment for economic reasons is legitimized by claiming that moral concerns instead of business concerns were decisive (Ashforth & Anand, 2003; Tetlock, 2003). Notwithstanding such resolution strategies, the fact that many people continue to think of such trade-offs as 'taboo' implies that organizations cannot afford to ignore the moral implications of their calculations and strategic decisions – if only to avoid reputational damage. These insights also clarify that preferences of workers and customers cannot always be predicted from rational choices based on cost/benefit calculations.

The influence of moral reasoning in thinking about cost/benefit analyses and financial outcomes has been documented in empirical research. Several studies have revealed that moral concerns impact on people's investment decisions (Hofmann et al., 2008; Hofmann et al., 2007). For instance, investors tend to give higher estimates of the value, and generally prefer to invest their funds in organizations that appear to display socially responsible decision making (Petersen & Vredenburg, 2009; See also Chap. 7). A similar picture emerges from more basic research on human decision making, showing that group norms and moral concerns can outweigh the value of more selfish outcomes (Andiappan & Dufour, 2018; Rosati et al., 2018). For instance, concerns about moral responsibilities can outweigh price considerations in predicting the likelihood that consumers will buy specific products (Irwin & Baron, 2001).

Treating workers (as well as customers and other stakeholders) as calculating individuals who only care about cost/benefit ratios can do more harm than good. If not managed well, pay for performance undermines intrinsic work motivation and creativity (Gerhart & Fang, 2015, see also Chap. 4 on motivation). Differences in pay levels within the same company, within work teams or between managers and production workers, can negatively influence work attitudes, performance, and turnover rates in the company (Shaw, 2014, see also Chap. 3 on leadership). Even in situations where cost/benefit calculations seem decisive – as in the international migration of nurses to more developed countries – the career choices people make are also driven by non-economic factors such as the political climate, professional development opportunities, or interpersonal relations (Dywili et al., 2013).

1.3.3 Limits of the Legal Approach

The legal perspective on coordinating behavior in organizations relies heavily on top-down thinking. In a way it is also based on a rational choice approach: rule compliance is expected because people want to avoid being punished for failing to comply. Here, the coordination of individual efforts is achieved by anticipating different courses of action people might follow and specifying the desirability of each, in ever expanding lists of company regulations, professional guidelines, and codes of conduct. Managers, compliance officers, quality monitors, or external regulators then make sure that people actually work in accordance with these guidelines. This approach requires detailed record keeping, and elaborate supervision and monitoring of activities.

A problem often encountered by external regulators is that this type of regulation invites so-called ‘rule-based’ (rather than ‘principle-based’) compliance (Arjoon, 2006; Burgemeestre et al., 2009). Offering detailed descriptions of what people should do to meet professional standards, easily tempts them to ‘tick the boxes’ without really thinking whether this actually leads to the intended result – often defeating the ultimate goal (see Box 1.5). Moreover, lists specifying everything that is not allowed can invite employees as well as legal experts to search for loopholes as they conclude that actions not included in the list of prohibitions must be permitted. In both cases, the individuals whose choices are being monitored are discouraged from considering which concerns gave rise to the regulations, as they focus on *what* they should do instead of *why* they should do this. Thus, they are not invited to make sure they understand what the end goal of their efforts is, or how they might work towards this goal when it is unclear how known rules might apply (Ford, 2008). Rule-based supervision may not even be feasible for innovative service-based economies, where products, markets, and procedures change too quickly to be able to anticipate their outcomes (see also Chap. 6). This makes it difficult for supervisors to ensure that formal guidelines are still relevant, and is another reason that they might better communicate about key principles rather than monitoring compliance with specific rules.

Box 1.5 Rule-based and principle-based regulation

Legal approaches to behavioral regulation rely on the definition of rules for acceptable conduct and specification of sanctions for breaking these rules. In this approach, sanctions are used as a primary tool to make people incapable of continuing unacceptable behavior (by removing them from the situation), offering justice to victims, and compensation for damage done. The key assumption is that the (threat of) punishment will influence the choices people make. When people display unacceptable behavior, this is typically tackled by adding more rules, intensifying monitoring, and raising sanctions to deter further rule breaking.

In response to bookkeeping fraud and large scandals, several legal measures were taken to counter this. In the United States, the Sarbanes-Oxley act was introduced for this purpose in 2002. This is a set of rules that specifies what companies should do to guard impartiality, transparency, accountability, truthfulness, and respect for rights ("Sarbanes-Oxley Act", 2002). These regulations specify responsibilities of executives, audit committees and auditors, sanctions for non-compliance, and a government board (the Public Company Accounting Oversight Board – PCAOB), which is overseen by the Securities and Exchange Commission (SEC). However, it has been criticized for its reliance on legal solutions for moral dilemmas – that encourage decision makers to seek loopholes - as well as for the additional bureaucracy ('red tape') it imposes on companies across the world (Sama & Shoaf, 2005).

Deviating from this 'rule-based' one-size-fits-all approach, guidelines of the European Commission, as well as regulations in the UK, Canada, Australia and New-Zealand have adopted a 'principle-based' approach. This makes it possible to specify local rules and accommodate different governance practices and national laws, without imposing a single specific set of rules. Common moral principles aim to improve corporate governance, for instance by promoting disclosure and transparency, and protecting shareholders rights. An examination of top-50 companies in New Zealand suggests that principle-based regulation can be just as effective as rule-based regulation. Compliance with key principles can just as well change the behavior of organizations and benefit firm financial performance (Reddy et al., 2010).

In practice, however, the legal approach to behavioral regulation continues to shine through. Regulators tend to apply broader principles by translating them into a large number of very specific rules organizations have to comply with. For instance, in New Zealand, the nine principles of good governance are assessed on the basis of 46 very specific criteria. The question therefore remains to what extent a 'principle-based' policy really invites legal entities to adopt a different approach in monitoring displays of desired behavior.

Enforcing top-down behavioral regulation depends on continued external monitoring. It also requires considerable resources to keep on implementing the rewards and sanctions needed to reinforce or discourage specific courses of action. In psychological theory and research, this coercive form of behavioral control is generally considered much weaker and less reliable than other known alternatives, such as the internalization of important professional values, or the voluntary adoption of model behaviors (e.g., Bausch, 2008; see also Van Steenbergen & Ellemers, 2021). This is acknowledged for instance in regulatory approaches that try to stay away from enforced rule compliance, because this does not emerge as a very helpful or even effective primary strategy (Braithwaite & Braithwaite, 2001; Desai, 2015; see also Box 8.4). Instead, such approaches aim to establish the cultural 'maturity' of organizations by assessing the extent to which rule adherence is seen as an internalized good instead of relying on external compliance (Hogan, 2008; Tyler, 2005). Indeed, even if there is no legal requirement, entrepreneurs may choose to consider their social responsibilities (Choi & Gray, 2008). Individual managers can do this, for instance, because this matches their personal values (Hemingway & Maclagan, 2004), or because they want to display awareness of their moral duty to gain trust from important stakeholders (Hosmer, 1996; Quinn & Jones, 1995).

There are drawbacks to rule enforcement within the organization too. In general, reliance on external controls easily undermines feelings of autonomy that are key to intrinsic motivation (Deci & Ryan, 2010). People tend to resent continuous surveillance and resist enforced rule compliance in organizations (McNamara & Reicher, 2019; O'Donnell et al., 2013). Experiments have found that attempts to deter people from rule breaking by threatening them with sanctions tend to spoil mutual trust. Ironically, this actually *undermines* compliance, for instance of tax payers with tax rules, or of students with plagiarism rules (Mooijman et al., 2017, 2019). In the workplace, employees have been found to show lower job satisfaction and a greater tendency to display dysfunctional behavior when they were forced to comply with behavioral norms that did not match their personal ethical opinions (Burks & Krupka, 2012). Likewise, employees who were subjected to formal controls to guide their behavior became more reluctant to share their knowledge with others in the organization (Tuan, 2012).

The limits of the legal approach are further clarified by studies attesting to the value of appealing to the power of personal engagement and internalized morals. For instance, workers developed a clearer idea on how best to behave when they understood how their actions relate to moral principles relevant to the core mission and identity of the organization (Reynolds & Ceranic, 2007; see also Turner, 1985). This also makes it more likely that they consider relevant principles instead of mindlessly applying specific rules (Neesham & Gu, 2015). A meta-analytic review summarizing results of 189 different studies additionally reveals that workers perform better when they have a voice in which goals to pursue and how to pursue them (Chamberlin et al., 2017).

1.4 Conclusion: The Three Quick Fixes Revisited

The three quick fixes all rely on *explicit* strategies organizations use to express their moral intentions – or are used by external regulators to enforce moral behavior in the organization. These are informed by standard organizational procedures and practices aiming to guide the behavior of individuals in organizations. However, results from many studies reveal that their impact on moral behavior is limited and may even backfire. More often than not, explicit moral guidelines and decisions have to be reconciled with other strategic and organizational realities – preventing people in organizations to do what is moral. This *implicit* information speaking to the moral culture and ethical climate in the organization, tends to be underestimated or even ignored. We argue that the 'hidden influence' of these situational and group mechanisms should be taken into account when attempting to understand why moral intentions do not result in moral behaviors. Attempts to address moral behavior in organizations should therefore also examine the hidden costs of standard procedures and practices – even if these occur at the implicit level. Any misalignment between explicit and implicit messages and moral guidelines can stand in the way of moral behavior – also when this is motivated by the best of intentions (see also Fig. 1.3).

In the chapters that follow we highlight the hidden costs of standard procedures used to address key concerns in organizational behavior. We focus on psychological mechanisms relating to group memberships and organizational roles, to elucidate how organizational realities members have to deal with lead them to adopt and internalize specific moral norms. Our analysis of key issues in organizational life in the following chapters is based on Social Identity Theory. This influential theory in social and organizational psychology complements standard approaches exemplified by the three quick fixes commonly used (see also Haslam, 2004, 2014). We argue that the social identities that are relevant in the workplace allow people to make sense of the situation and to reconcile explicit requests with implicit realities. This helps them to translate general moral principles into situational norms about 'right' vs. 'wrong' ways to behave in the workplace. Unfortunately, considering the situation at work in this way also makes people vulnerable. When workplace behaviors somehow seem morally 'wrong' this impacts on people's sense of who they are and where they belong, threatening their sense of identity and inclusion. In the next chapter we specify the impact of such identity threats and consider the range of strategies people use as coping responses.

In the chapters that follow, we examine how common quick fixes to address moral behavior in organizations impact on the self-views and social identities of organizational members. Each chapter demonstrates the added value of attending to people's social identities when trying to change their behavior. We reveal the hidden costs of ignoring these broader social factors for **key issues** every organization contends with. We **analyze** real life cases from this perspective by reviewing results from research to reveal when and why things go wrong. We also provide positive examples of organizations that manage to get things right, and offer practical guidelines on how to work towards practical **solutions** to achieve this. We can't offer quick fixes, unfortunately, as our analyses and examples show that long term and broader organizational efforts constitute the most effective strategy for organizations choosing to do what is moral.

Recommended Reading

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