

COMMENTARY

# Moving beyond compliance to conventional wisdom: How I-O professionals can promote an ethical organizational culture

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While the implications of Watt et al.'s (2023) analysis are undeniable, if the code is to be utilized as a general guide, why then does the code need to be enforced for I-O psychologists? Furthermore, how do I-O psychologists use the code to promote ethical behavior within their organizations?

This argument does not assert that I-O psychologists should ignore the code's standards. It is assumed that those working in this field are interested in advancing moral responsibility in enterprises. However, given the striking discovery that most code violators are not I-O psychologists, promoting ethical behavior in organizations requires us to leverage the code in nonregulatory ways. With I-O psychologists working in a wide array of job industries and sectors, it may be near impossible to implement a standardized code that could be necessitated or pertinent for all members. Understanding these complex issues first requires uncovering why good-intentioned ethical systems go awry.

## ***Why compliance systems rarely lead to ethical outcomes***

Organizations leverage formal ethics cultures through compliance training and code of conduct directives in hopes of instilling morally responsible behavior in their employees (Barry, 2002). Despite these measures, organizational issues are rarely crystal clear. Even with mandates in place, determining the most ethical course of action can be difficult and will likely be dependent on the situation and context (Treviño et al., 1998). Consequently, the impact of a formal ethics culture is that it may encourage the very thing the compliance system was set out to mitigate (Moberg, 2006). Why? Because the creators of such systems often neglect to consider how the structural makeup of these programs inadvertently influences unethical behavior.

From the research, we suspect two culprits are mainly responsible for this unintended outcome: goal-setting theory and ethical fading. Organizations may see goal-setting theory as a foolproof approach to increasing employee motivation, often ignoring the consequences. This is especially apparent when considering the reward aspect of a formal culture. Goal-setting research tells us that individuals seek out information about behaviors that will be rewarded and then endeavor to perform well on said behaviors (Locke & Latham, 2006).

The unforeseen perils of overreliance on this process are that it encourages employees to focus too narrowly on their goals, often neglecting nongoal areas (e.g., ethics and values). Research provides evidence that by focusing too narrowly on a goal, individuals ignore vital issues (e.g., ethics) that are not directly specified by the goal (Staw & Boettger, 1990); Ordóñez et al., 2009. For example, a culture that rewards a “whatever it takes” attitude can be a driving impetus for unethical

behavior, unintentionally or not. By fostering an attitude that focuses on end results over the means by which employees get there, organizations undermine their efforts to promote ethical behavior. Goals, and reward systems at large, may be well intended, yet they can misfire because they neglect to anticipate how employees respond to them.

As an employee's motivational tunnel vision begins to give way to unethical behavior, ethical fading (i.e., avoiding moral implications of a decision) furthers unethical conduct by disguising ethical decisions as business concerns. Research by Tenbrunsel and Messick (2004) found that when participants in a business decision simulation were given a choice to behave ethically (i.e., keep a promise), it was only the participants who had an organizational compliance mandate that acted unethically (i.e., renege the promise). How did the presence of a compliance system influence the reverse effect of what it was meant to discourage?

Interestingly, ethical fading occurred through the constraints of the compliance mandate (Rees et al., 2019). The dangers of ethical fading lie in its distortion of the decision-making process. When no compliance system was established, most saw the decision as an ethical one. Without highlighting ethical considerations, ethicality in business decisions fades as employees engage in self-deceptive mental gymnastics to justify self-interested, but ultimately unethical, behaviors.

### **Digging deeper: Focusing on informal organizational culture**

A significant challenge for I-O professionals is to help firms balance their commitment to ethics, whereas competitive demands call for short-term economic results. We extend the focal article's suggestion by advocating for I-O professionals to focus particularly on their organization's informal culture. In contrast to a formal ethics culture, an informal ethics culture is conveyed through signals that are felt rather than declared by the organization (Falkenberg & Herremans, 1995). By transferring messages that are felt but not seen, the informal mechanisms by which employees learn the organization's true values are expressed.

An informal culture supersedes regulation as it is woven into the very fabric of organizations. Although a formal culture describes just the tip of the organization's iceberg, an informal culture reveals the latent norms and pressures that have far more significance on employee behavior (Ardichvili et al., 2009). An informal ethics culture focuses on its members' underlying beliefs and priorities, which are augmented through stories and language. Stories are a powerful mechanism for signaling to employees the informal values of the organization (Dolan & Bao, 2012). Is there a company rumor about an employee who stood up to management for something ethics related and was punished? Is there chitchat about employees being hushed by leaders for mentioning ethical considerations? These anecdotes help illustrate why employees would hold very different beliefs about expected behavior and decision-making criteria.

Similarly, paying equal attention to what is not mentioned within the organization provides insightful information about its informal ethics. Is it "lying" or "misinterpreting the facts"? Is it "laid off" or "downsized"? Using innocuous language makes the unacceptable a standard practice and allows unethical conduct to fester (Kerns, 2003). The consequences of labeling are illustrated in a study in which participants had a cautious aversion to eating from a container labeled "cyanide" even after they themselves were the ones to write "cyanide" on the empty container (Rozin et al., 1990). This outcome is similar to calling unethical conduct by its name. The power of language euphemisms within an organization's informal culture can turn what may be a compliance risk into socially approved behaviors.

## Embedding ethics into the everyday

Because informal values depend on the specific organization, ethical fixes will be unique to each organization. However, I-O professionals may leverage the code to proactively identify ethical dilemmas and bring awareness to future uncertainties that may call ethics into question. For instance, integrating ethics into the company culture by engaging employees in business case studies where ethical concerns arise may increase the likelihood that they frame future organizational problems with ethical dimensions in mind (Treviño et al., 2006). Efforts that support transparency around ethical considerations bolster organizational commitment and shape expected norms, thus contributing to the organization's informal culture.

Although the organization's informal values represent elements of identity, employee ethical character starts with the underlying management philosophy (Sekerka et al., 2014). The informal values must be communicated to key management, particularly leaders with direct access to and control over information and staff. I-O professionals can partner with leaders to ensure that the informal values reflect the organization's stated values.

Additionally, top management can establish a supportive context whereby employees are empowered to develop the skills and abilities to achieve business outcomes in a morally responsible manner (Kuenzi et al., 2020). This may be facilitated by asking what ethical challenges do employees face. What types of decisions does the organization actually reward? What pressures do employees feel and why? Employing qualitative research (e.g., pulse surveys) that assesses employees' attitudes toward the organization's ethical practices may highlight areas of improvement. Communicating and exemplifying the desired values in the organization's day-to-day activities will provide big payoffs in reforming the organization's informal culture.

We are not suggesting abandoning compliance systems and codes of conduct in totality. As I-O psychologists, we must first understand the organization's informal culture to determine if and when compliance systems will genuinely work. This means recognizing the underlying cognitive and affective processes of employees. Like any compliance code, the APA code is best when it is imbued into the organization's social norms and underlying culture. Endorsing frameworks that spotlight the ethical rather than the compliance portion of business decisions will help instill a deep and abiding sense of moral responsibility in employees. Identifying the informal values of the organization is an arduous process and may reveal some unpleasant truths about our workplace, yet organizations that truly desire meaningful ethical changes must undertake this hard work.

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