Middle managers may turn to unethical behavior to face unrealistic expectations

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Linda Treviño, distinguished professor of organizational behavior and ethics, Smeal College of Business, Penn State, is part of a team investigating the role of middle management in introducing and maintaining unethical behavior in business. Credit: Patrick Mansell

While unethical behavior in organizations is often portrayed as flowing down from top management, or creeping up from low-level positions, a team of researchers suggest that middle management also can play a key role in promoting wide-spread unethical behavior among their subordinates.

In a study of a large telecommunications company, researchers found that middle managers used a range of tactics to inflate their subordinates' performance and deceive top management, according to Linda Treviño, distinguished professor of organizational behavior and ethics, Smeal College of Business, Penn State. The managers may have been motivated to engage in this behavior because leadership instituted performance targets that were unrealizable, she added.

When creating a new unit, a company's top management usually also sketches out the unit's performance routines—for example, they set goals, develop incentives and designate certain responsibilities, according to the researchers. Middle managers are then tasked with carrying out these new directives. But, in the company studied by the researchers, this turned out to be impossible.

"What we found in this particular case—but I think it happens a lot—is that there were obstacles in the way of achieving these goals set by top management," said Treviño. "For a variety of reasons, the goals were unrealistic and unachievable. The workers didn't have enough training. They didn't feel competent. They didn't know the products well enough. There weren't enough customers and there wasn't even enough time to get all the work done."

Facing these obstacles, middle management enacted a series of moves designed to deceive top management into believing that teams were actually meeting their goals, according to Treviño, who worked with Niki A. den Nieuwenboer, assistant professor of organizational behavior

and business ethics, University of Kansas; and Joa?o Viera da Cunha, associate professor, IESEG School of Management.

"It became clear to middle managers that there was no way their people could meet these goals," said Treviño. "They got really creative because their bonuses are tied to what their people do, or because they didn't want to lose their jobs. Middle managers exploited vulnerabilities they identified in the organization to come up with ways to make it look like their workers were achieving goals when they weren't."

According to the researchers, these strategies included coopting sales from another unit, portraying orders as actual sales and ensuring that the flow of sales data reported in the company's IT system looked normal. Middle managers created some of these behaviors on their own, but they also learned tactics from other managers, according to the researchers, who report their findings in *Organization Science*, online now.

Middle managers also used a range of tactics to coerce their subordinates to keep up the ruse, including rewards for unethical behavior and public shaming for those who were reluctant to engage in the unethical tactics.

"Interestingly, what we didn't see is managers speaking up, we didn't see them pushing back against the unrealistic goals," said Treviño. "We know a lot about what we refer to as 'voice' in an organization and people are fearful and they tend to keep quiet for the most part."

The researchers suggested that the findings could offer insights into other scandals, such as the Wells Fargo and the U.S. Veteran Administration hospital misconduct. They added that top management in organizations should do more in-depth work to institute realistic goals and incentives.

"Everybody has goals and goals are motivating, but there are nuances,"

said Treviño. "What goal-setting theory says is that if you're not committed to the goal because you think it's unachievable, you'll just throw your hands up and give up. Most front-line employees wanted to do that. But the managers intervened, coercing them to engage in the unethical behaviors."

This type of deception can harm an organization in several ways, including its bottom line through the awarding of bonuses based on this deceptive performance, but also because upper management made strategic decisions and allocated resources based on the unit's feigned success.

"How can you lead a company if the performance information you get is fake? You end up making bad decisions," den Nieuwenboer said.

One of the researchers gathered data for over a year as part of an ethnographic study, a type of study that requires researchers to immerse themselves in the culture and the lives of their subjects. In this case, the ethnographer studied the implementation of a new unit in the telecom company. As part of the data collection, the researcher spent 273 days shadowing workers, 20 days observing middle managers, listened to approximately 15 to 22 informal—lunch or watercooler—breaks between workers per week and conducted 105 formal interviews. Interactions on the phone, through email and in face-to-face meetings were observed and documented.

"One of the advantages that this kind of data affords you is the opportunity to observe what's going on across hierarchical levels," said Treviño. "The middle management role is largely an invisible role. As a researcher, you just don't get to see that role very often."

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