

New study finds employee incentives can lead to unethical behavior in the workplace

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Bill Becker, co-author of the study and associate professor of management in the Pamplin College of Business at Virginia Tech. Credit: Virginia Tech

Considering end-of-year bonuses for your employees? Supervisors be forewarned, a new study finds that while incentive rewards can help

motivate and increase employee performance it can also lead to unethical behavior in the workplace.

"Goal fixation can have a profound impact on [employee behavior](#), and the damaging effects appear to be growing stronger in today's competitive business landscape," says Bill Becker, co-author of the study and associate professor of management in the Pamplin College of Business at Virginia Tech.

The study, "[The effects of goals and pay structure on managerial reporting dishonesty](#)," provides valuable insight into the relationship between pay structures and motivation.

Findings suggest that setting compensation goals can increase dishonesty when managers are also paid a bonus for hitting certain targets. "These unintended negative consequences can lead to dishonesty, [unethical behavior](#), increased risk-taking, escalation of commitment, and depletion of self-control," says Becker.

The study points to observations of unethical behaviors in the workplace that include employees falsifying or manipulating financial reporting information as well as time and expense reports.

For example, service professionals such as auditors, contractors, lawyers, and consultants who report hours billed against a target budget is often based on a fixed contract price. "This causes potential for both under-reporting and over-reporting costs, which can undermine organizational objectives and negatively impact the interest of the firm," says Becker. "Using purely monetary incentives is almost always a double edged sword."

The study, co-authored with Stephen Sauer at Clarkson University, Matthew Rodgers at Ithaca College, and Chad Proell at Texas Christian

University was recently published in the [Journal of Accounting, Ethics & Public Policy](#).

Provided by Virginia Tech

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