# New study reveals unintended ethical faultline in team-based reward systems

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Employers who have introduced team-based rewards systems to foster creativity, collaboration, productivity and sales may want to look again at a system that new research shows can create an unintended, insidious

side-effect.

Compared to employees who are individually rewarded, workers in team-based reward systems are more likely to remain silent when they observe a fellow team member engaging in unethical behavior, according to the findings of the study "Turning a Blind Eye to Team Members' Unethical Behavior: The Role of Reward Systems," published in the *Journal of Business Ethics*.

"Team-based reward systems, initially sparked by Japanese corporate success, have been widely adopted and they have become a staple of good management practice with proven benefits. But managers should be aware that they may be stoking up trouble for the future in terms of undesirable employee behavior," said Professor Hajo Adam, co-author of the research.

Professor Adam, an organizational psychologist who studies culture and conflict, said the four behavioral studies within the research showed unethical behavior in team-based reward systems was less likely to be reported than in those where individuals were rewarded, explaining why some organizations may be prone to corrupt conduct and poor behavior.

"With team-based incentives, unethical behaviors become relatively advantageous for all team members, thereby suppressing the likelihood that such transgressions get reported. This can become an issue for managers, who run the risk of underestimating the prevalence of undesirable behavior," he said.

An additional risk lies in the nature of team-based reward systems, which are usually intended to foster a positive and collaborative working climate. Ironically, the desire to preserve that team ethos and environment can mask underlying problems and allow them to fester, the researchers noted.

Alongside managers needing to understand the inherent ethical risks in team-based reward systems and to be more vigilant, Professor Adam said there were two further solutions that employers should consider.

"First, managers might consider implementing a tailored reward system, mixing team-based and individual rewards in a balance that works for their particular industry or sector. The second is about culture—creating an environment where employees can blow the whistle on bad behavior and can act safely on their moral anger generated by witnessing such acts," he said.

Professor Adam said managers who wanted to encourage employees to report the unethical behavior of colleagues should prioritize the importance of moral intuition and emotions, developing these so-called soft skills alongside the conventional hard skills of business. Integrating training sessions on emotional intelligence can enable employees to accurately recognize and label moral anger and emphasize the potential organizational benefits of acting on such emotions, he added.

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