Bosses who think only about the bottom line may invite unethical behavior

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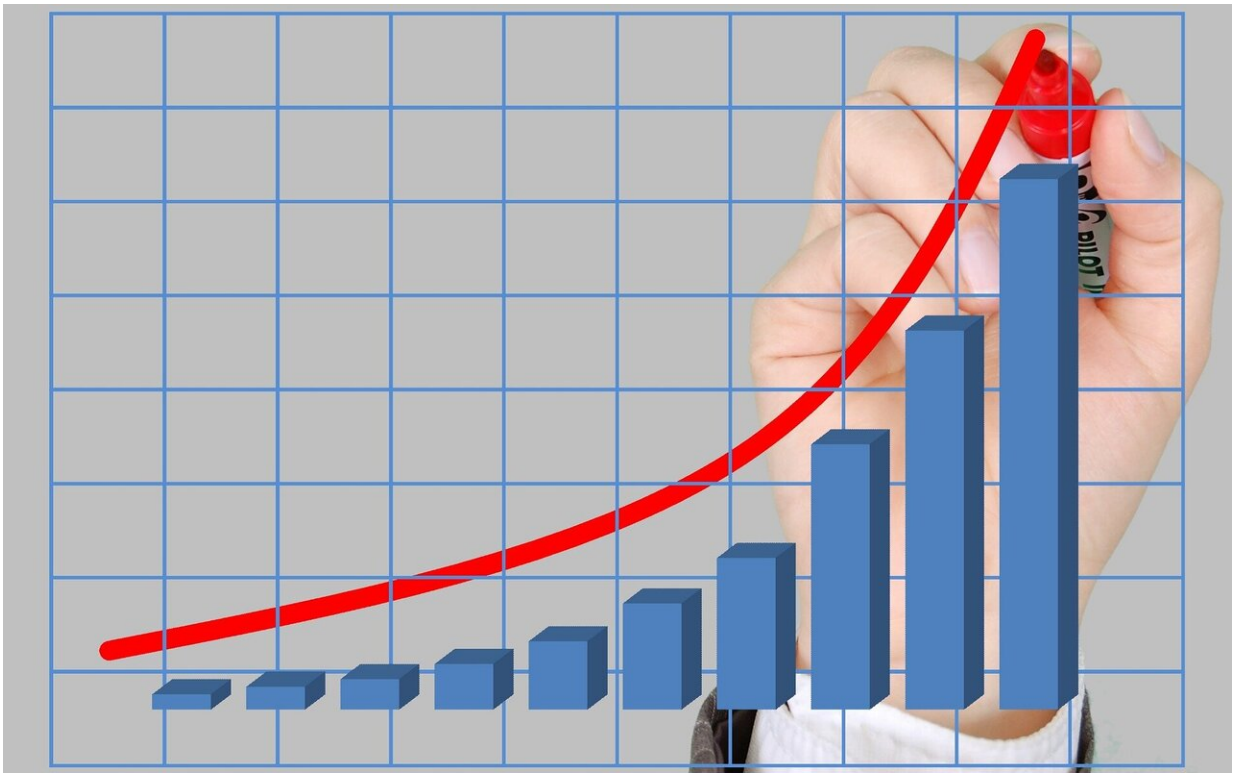

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Doing business with a tunnel-vision focus on the bottom line can lead to dysfunction and unethical conduct in the workplace, but a research study co-authored by Rutgers School of Management and Labor Relations Professor Rebecca Greenbaum reveals why some CEO's and

organizations are willing to take the chance: sometimes it pays off.

Researchers conducted a global survey of more than 400 workers and their clients across a wide range of industries to understand what happens when top management adopts a "bottom-line mentality," in which the narrow focus on a single goal—typically profits—outweighs all other organizational values. The findings reveal that some employees do break the rules in a bottom-line environment, but others actually sharpen their focus on work and deliver superior customer service.

"This is risky business because it could go either way," Greenbaum said. "A leader's exclusive focus on the bottom line may inspire employees to improve their performance, or propel them to lie to customers to close a sale. The 'bottom-line' is advanced in both cases, but with very different implications for the organization's long-term success. Unethical conduct typically is not sustainable."

Greenbaum cites the example of former Wells Fargo CEO John Stumpf, whose "eight is great" mantra encouraged employees to sell at least eight products to each customer. Driven by sales targets and lucrative bonuses, more than 5,300 employees opened accounts without customers' permission. The employees were terminated and Stumpf retired amid the scandal.

"The bottom-line mentality is not limited to the corporate world," Greenbaum said. "A New Jersey hospital made headlines this month for needlessly keeping patients on life support in order to hit bottom-line survival rate targets. In the college admissions scandal, celebrity parents committed fraud to get their kids into elite schools. And sports franchises have signed dysfunctional 'star' players for the sake of winning more games. Adopting a bottom-line mentality to get what you want often comes at the expense of ethics."

In a second study, Greenbaum and two colleagues developed and tested a new diagnostic survey to help companies measure their own ethical organizational climate (EOC) and identify areas of concern. The survey includes 18 questions, but it can be delivered with as few as six:

- Are ethical issues taken into consideration when decisions are made?
- Is ethics training consistent with how employees actually perform their jobs?
- Do employees strictly follow the written code of ethics?
- Is an effort made to search for applicants of a high moral standard?
- Is a good effort made to measure and track ethical behaviors?
- When an unethical act occurs, do employees take responsibility for their actions?

Administered to employees and supervisors, the survey can help leaders to determine whether their existing practices are working. For instance, an organization could discover that its HR practices such as recruitment, selection, orientation, and training support ethical decision-making, but that employees are not held accountable or reprimanded for unethical actions. Researchers tested the tool by surveying more than 350 employees in 100 companies in the Southeastern United States.

"Our research demonstrates the importance of ethical leadership in fostering an ethical organizational climate, which then reduces employees' unethical conduct," Greenbaum said, "Our measure of ethical organizational climate is relatively short, but on target in terms of broadly assessing an organization's ethical systems. It is useful for managers who want to evaluate their organization's ethical state."

More information: Mayowa T. Babalola et al. A business frame perspective on why perceptions of top management's bottom-line

mentality result in employees' good and bad behaviors, *Personnel Psychology* (2019). DOI: 10.1111/peps.12355

Maribeth Kuenzi et al. Creating an ethical organizational environment: The relationship between ethical leadership, ethical organizational climate, and unethical behavior, *Personnel Psychology* (2019). DOI: 10.1111/peps.12356

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