There is no well-defined boundary between honesty and dishonesty. The frontiers of one blend with the outside limits of the other, and he who attempts to tread this dangerous ground may be sometimes in one domain and sometimes in the other.

—O. Henry, Rolling Stones (1912)

The accounting scandals and the collapse of billion-dollar companies at the beginning of the 21st century have forever changed the business landscape. These cases of corporate corruption add to a long list of instances of unethical behavior in organizations and society more broadly across a variety of settings (e.g., Frank et al., 2003): Employees violate company rules, workers sabotage their peers, consumers shoplift, students cheat on exams, citizens evade taxes, and managers overstate firm performance to shareholders. Such unethical behaviors are costly to organizations and economic systems more broadly (Graham, Litan, & Sukhtankar, 2002; Weber Kurke, & Pentico, 2003). For instance, organizations typically lose 5% of their revenues to fraud each year (Association of Certified
Dishonesty is not limited to prominent examples of one person or organization causing harm to many. Although less well publicized, the small transgressions of large numbers of people have at least as significant an impact on our daily lives. For instance, average workers commit occupational fraud that adds up to an estimated $994 billion in annual losses (Association of Certified Fraud Examiners, 2008). An estimated $16 billion in losses to the U.S. retail industry are due to the purchase, use, and then return of worn clothing (Speights & Hilinski, 2005). These losses are not caused by just a few people who regularly revolve their entire wardrobes, but by many individuals who return a single shirt or sweater after wearing it.

In fact, an increasing amount of empirical evidence in the social psychology and management literatures demonstrates that dishonesty often results not from the actions of a few people who cheat a lot but from the actions of a lot of people who cheat a little (Mazar, Amir, & Ariely, 2008; Gino, Ayal, & Ariely, 2009). When given the opportunity to act dishonestly, many individuals do cross ethical boundaries, if only by a small amount rather than to the maximum extent possible (Ayal & Gino, 2011; Gino et al., 2009; Mazar et al., 2008). For example, Mazar et al. (2008) conducted a series of experiments in which participants could cheat on tests by overreporting their performance with low odds of being caught: Participants only cheated in 6–20% of the possible instances in which they could cheat.

Given the economic and social importance of such dishonesty, scholars from various fields have begun to examine the motives behind it. In this chapter, we discuss what recent findings from the social-psychological and management literatures have to teach us about why unethical behavior is so prevalent in society and how they can help us understand the subtle ways in which we fail to follow our moral compass.

In reviewing various streams of research, we discuss different perspectives in the literature regarding the main causes of individuals’ unethical behavior and provide a framework that centers on the number of times people face an opportunity to behave dishonestly. A first stream of research has focused on one single choice: whether to cheat or not for self-interested reasons when one faces this decision only once. A second stream of research has examined people’s choices and behavior over two points in time when they could behave dishonestly. Finally, a third stream of research has focused on a longer term, examining people’s actions over multiple opportunities to act dishonestly. We end by discussing an old but still existent debate on whether unethical behavior is the result of one’s personality, the situation, or both.
ONE OPPORTUNITY TO ACT DISHONESTLY: SELF-CONCEPT MAINTENANCE AND THE “FUDGE FACTOR”

Research suggests that people lie and cheat on a daily basis, much more often than they care to admit (DePaulo et al., 1996; Fischbacher & Follmi-Heusi, 2013; Gino et al., 2009; Mazar et al., 2008; Schweitzer, Ordóñez, & Douma, 2004). For example, in one study, participants were paid according to the number of simple arithmetic problems they solved. When payment was based entirely on participants’ reports of their performances and fudging of the numbers could not be linked to any individual, participants inflated their performances by 15% on average (Mazar et al., 2008). Employing a different paradigm, Fischbacher and Follmi-Heusi (2013) examined the extent of lying in a private dice game. In the study, participants were paid according to their reports of a roll of a die, with a higher payoff for higher rolled numbers. Because participants were able to cheat by reporting higher numbers and to receive larger payments without apparent risk of exposure, 40% of them lied on this task. Although participants were able to act dishonestly for monetary rewards without being caught, only 22% behaved unethically to the full extent. Shalvi, Dana, Handgraaf, and De Dreu (2011) found similar results: Only 20% of participants lied to the full extent in a similar dice game. Taken together, these studies suggest that when given the opportunity to behave dishonestly, many individuals do cross ethical boundaries, if only by “a little bit” rather than to the maximum extent possible.

But why do people cheat just a little? Research in social psychology has consistently demonstrated that people strive to maintain a positive self-concept both privately and publicly (Adler, 1930; Allport, 1955; Jones, 1973; Kruger & Dunning, 1999; Rogers, 1959; Rosenberg, 1979). Social identity theorists such as Schlenker (1982) and Tajfel (1982) have argued that people want to feel good about themselves and strive to maintain a positive self-image, even when doing so requires a degree of self-deception, pretense, or guile. Examples of the biases that allow us to hold on to a positive self-image include our ability to embrace successes as our own and reject failures as circumstantial (Hastorf, Schneider, & Polefka, 1970; Miller & Ross, 1975; Moore, 2007; Moore, Swift, Sharek, & Gino, 2010; Swift, Moore, Sharek, & Gino, 2013), as well as the illusion of control (Langer, 1975; Langer & Roth, 1975; see also Gino, Sharek, & Moore, 2011), which leads us to believe that we can influence chance events and attain better outcomes as compared with others (Alicke, 1985; Brown, 1986; Messick, Bloom, Boldizar, & Samuelson, 1985). Moreover, most of us are quite confident we can perform better than average across various tests and tasks (Alicke, Klotz, Breitenbecher, Yurak, & Vredenburg, 1995, Klar, 2002; Klar & Gilady, 1997; Moore, 2007). Related research has examined the need to maintain a positive self-concept with regard to
one’s moral self-image, showing that people typically attach high value to honesty and strongly believe in their own morality (Greenwald 1980; Sanitioso, Kunda, & Fong, 1990).

So, how can people maintain their positive self-concept while also benefit from cheating in situations in which they face only one opportunity to act dishonestly? In addressing this very question, Mazar et al. (2008) suggest that people act dishonestly to benefit in self-interested ways, but only up to a point at which they would not need to alter their image of themselves as honest individuals. More specifically, Mazar et al. (2008) identify self-concept maintenance as an important internal explanation for inhibiting dishonesty. People value honesty as an important part of their self-concept and devote effort to maintaining it (Greenwald, 1980). Self-concept can be defined as “a mental representation capturing our views and beliefs about ourselves” (Kenrick, Neuberg, & Cialdini, 2010). In six laboratory experiments, Mazar and colleagues (2008) provide evidence that self-concept maintenance is associated with honest behavior, even in situations in which dishonesty would have been undetected. For example, making moral standards salient to participants by either having them recall the Ten Commandments or sign an honor code inhibited dishonesty. Mazar and colleagues (2008) propose that a small amount of cheating “flies under the radar” (p. 639). In other words, people do not update their self-concept when engaging in minor acts of dishonesty. The authors assume there is a threshold beneath which being dishonest does not affect the self-concept, what they call the “fudge factor.”

Internal processes and values that can determine the level of people’s fudge factor are often grounded in socialization processes. Internalized values (e.g., being honest or generous toward others) and societal norms (e.g., behaving in appropriate ways such as being polite toward others) function as a benchmark against which people compare their behavior (Henrich et al., 2001). Compliance with these values and norms results in internal “rewards” (e.g., feeling good about yourself), whereas noncompliance results in internal “punishment” (e.g., feeling bad about yourself). Evidence for this internal punishment and reward system is provided by brain-imaging studies (De Quervain et al., 2004; Rilling et al., 2002). By looking at brain regions with functional magnetic resonance imaging (fMRI) that are activated in punishment-and-reward situations, the authors concluded that these regions were also activated by norm compliance (i.e., situations in which people behaved in ways consistent with accepted social norms, such as cooperating) and noncompliance (i.e., situations in which people behaved in ways inconsistent with accepted social norms). The internal punishment-and-reward system seems to be involved in norm-related behavior (e.g., acting in a fair or cooperative way in situations in which doing so is expected).

The threshold level of each person’s fudge factor is influenced by other factors that can lead a person to view dishonest behavior as legitimate. One
such factor is observing desired counterfactuals, namely, possible alternatives to events that have already occurred (Shalvi, Dana, et al., 2011; Shalvi, Handgraaf, & De Dreu, 2011). Counterfactual statements convey both the actual behavior and the hypothetical action; for instance, with the statement “If Dan had stopped by the grocery store, he would have arrived home later,” one could highlight the outcome of an action that a person could have taken in the past (but did not). Thinking about and observing desired counterfactuals affects behavior (Kahneman & Varey, 1990; Morris & Moore, 2000).

In a cleverly designed experiment, Shalvi, Dana, et al. (2011) created a situation in which a participant could behave dishonestly without being caught. Participants had to throw a die underneath a cup. The experimenters made a small hole in the bottom of the cup through which only the participant could see the throw. Individual participants in one group had to throw the die three times and were instructed to remember and report the first throw. The participants were told that the other throws were intended to show that the experimenters did not manipulate the die (i.e., that the die was fair); in reality, this design offered the opportunity to present desired counterfactuals (e.g., obtaining a higher number on the second or third throw and thus earning more money by reporting it as if it were the outcome of the first throw). Participants in a second group could only throw the die once. Participants in both groups were told they would be paid the number of the first throw in Swiss francs at the end of the experiment. To eliminate external pressure to be honest, both the die throw and the claimed reward were completely anonymous.

Due to this design, it was not possible to investigate individual differences in behavior, but it was possible to draw inferences on the overall behavior of the sample. If all participants were to report their first throw honestly, no significant differences in die results would be expected between the two groups, and the expected distribution of the reported outcomes would be uniform. In reality, participants in the group that observed two more throws to verify the die reported significantly higher die results than participants who only threw the die once, a finding that seems to confirm the hypothesis that observing desired counterfactuals attenuates the degree to which people perceive dishonest behavior as unethical, which enhances dishonesty.

This finding is in line with the concept of “ethical maneuvering” (Shalvi, Dana, et al., 2011), or the tendency for people to run an internal cost–benefit analysis that leads them to view some lies as more legitimate than others. When faced with an opportunity to cheat, people employ internal mechanisms that assess contextual factors and determine how certain actions would affect their self-concepts. Ethical maneuvering refers to this process of making trade-offs between material self-interest and self-concept maintenance (Shalvi, Dana, et al., 2011). If it is true that people seek
compromises when making ethical decisions, then they should avoid lies to a large extent because such lies would not be compatible with an “honest person” self-view. Consistent with these arguments, when Shalvi, Handgraaf, and De Dreu (2011) asked participants how unethical lying, with or without observing desired counterfactuals, is, participants perceived lying as less unethical when observing counterfactuals.

Observing desired counterfactuals is one of many types of justifications people make for their dishonest behavior. Another is contagious dishonesty, or the tendency for people to be more likely to engage in dishonest behavior when they see others similar to them do the same (Innes & Mitra, 2012; Gino et al., 2009; Gino & Galinsky, 2012). For instance, Gino and colleagues (2009) found that observing others engaging in unethical behaviors, such as cheating on a task by inflating their performance for greater pay, increases one’s own unethical behaviors if these others are similar or are people one associates with (e.g., students from the same university). In one study, college students were asked to solve simple math problems in the presence of others, and they could earn money depending on their performance on this task. In some conditions, participants were given the opportunity to cheat by misreporting their performance and earning undeserved money. More importantly, in some conditions, participants were exposed to a confederate who cheated ostentatiously by finishing a task impossibly quickly and leaving the room with the maximum reward. The results showed that the level of unethical behavior among participants increased when the confederate was an ingroup member (indicated by wearing a plain T-shirt) but decreased when the confederate was an outgroup member (wearing a T-shirt from a rival university). Thus unethical behaviors are contagious: Just seeing another person act unethically influences us and leads us to behave unethically as well. Another type of justification occurs when an authoritative figure is asking the person to behave unethically, and thus one can rationalize the behavior by blaming the person in power (Milgram, 1974).

Generating justification for one’s own unethical behavior is made easier by creativity (Gino & Ariely, 2012). People with creative personalities, our research shows, were more likely to cheat on performance tasks so as to earn more money than less creative people by lying more about how well they performed on the task. This tendency was especially true when there was ambiguity that could be interpreted in favor of the more creative person. In our studies, we also found that when creativity is encouraged, and thus people engage in tasks with a creative mind set, people are more likely to cheat on those tasks, as compared with situations in which creativity is not encouraged. Creativity, we suggested, fuels a person’s ability to justify cheating and thus increases the extent to which people behave unethically, indicating that creativity can motivate dishonesty. That is, creativity allows people to convince themselves they are not actually acting
without integrity as long as they do not overstep a self-designated boundary.

Importantly, people fail to anticipate that their desire to maintain a positive self-image as honest individuals influences their behavior when they face the opportunity to act unethically. In an experiment Mazar et al. (2008) used to test whether minor dishonesty flies under the radar, people who cheated a little bit did not update their beliefs about being honest. However, people judging others in the same situation expected them to view themselves as less honest.

**BOUNDED ETHICALITY**

The body of research that we’ve discussed, examining how people approach the choice of whether or not to behave unethically, has assumed that dishonest behavior is intentional—people are well aware of the choice they are facing and of the fact that their behavior is unethical when they do decide to cross ethical boundaries. However, another body of work has studied unintentional dishonesty. This research has suggested that people are subject to “bounded ethicality”; that is, their morality is constrained in systematic ways that favor self-serving perceptions, which in turn can result in behaviors that are inconsistent with their intended ethical standards (Banaji, Bazerman, & Chugh, 2003). Examples of such behaviors are overclaiming credit for group projects, ingroup favoritism, discrimination, and conflicts of interest. One of the main tenets of bounded ethicality is that people often engage in unethical behavior beyond their own awareness (i.e., unethical actions may occur implicitly or automatically), as their desire to be moral and deserving biases their perceptions of their decisions. That is, people (even those who care about being honest) often engage in unethical behavior simply because they do not recognize the moral implications of their actions (Bazerman & Banaji, 2004; Bazerman & Moore, 2008; Jones, 1991; Murnighan, Cantelon, & Elyashiv, 2001; Shu & Gino, 2012). For instance, experts such as doctors or financial advisors who are affected by conflicts of interest often decide not to disclose them because they do not realize that such conflicts of interest bias their advice to their benefit and create costs to the recipients (Schwartz, Gino, & Ariely, 2015).

Situational factors related to multiple demands from one’s job and time pressure may make bounded ethicality more likely to occur. Chugh (2004) described the “messy, pressured, and distracting” conditions of managerial work as conducive to implicit or automatic mental processes. Time pressure and stress are two situational influences likely to accelerate mental processes and reduce the amount of information people feel is needed to make ethically sound decisions. Multiple task demands that require people’s attention may produce similar effects. Situational factors such as these may also be exhausting, depleting self-regulatory resources to control
unethical behavior. Thus, under the conditions most likely to be present in many people’s lives in today’s society, people are at the highest levels of risk for ethical failures.

**TWO OPPORTUNITIES TO ACT DISHONESTLY:**
**THE DYNAMIC AND MALLEABLE NATURE OF MORALITY**

Research on the self-concept maintenance model has focused on situations in which people face one opportunity to act dishonestly. But what if there are two such opportunities? In their exploration of this question over the last decade, Monin and his colleagues (among other scholars) have argued that a person’s morality is dynamic and malleable. Monin and Jordan (2009) suggest that, at any given moment, individuals may answer the question of how moral they are differently. That is, people perceive their own morality differently at different times:

> As with the self-concept more generally (see Markus & Nurius, 1987), people’s thoughts and behavior are often guided by a “working” level of moral self-regard that fluctuates from moment to moment according to situational influences. . . . We contend that situations actually can affect aspects of the self-concept. (Monin & Jordan, 2009, p. 10)

Three lines of research by Monin and colleagues are consistent with this view of one’s own ethicality as malleable and dynamic: research on moral credentials, research on moral resentment, and research on moral compensation. We discuss each in turn.

**Moral Credentials**

The first line of research supporting the notion that morality is dynamic and malleable stresses the importance of considering the sequence in which moral choices and actions occur. That is, people commonly examine their decisions within the context of their recent behavioral history (Zhong, Liljenquist, & Cain, 2009). When individuals decide whether or not to engage in unethical behavior, they consider their previous moral and immoral actions, tracking their moral balance between moral credits (past good deeds) and moral debits (past bad deeds; Nisan, 1991). More specifically, Nisan’s (1991) moral balance model suggests that people compute a personal moral balance based on their actions that are morally relevant within a given time frame and do not behave less ethically than their minimum standards. At any point in time, good deeds raise the balance, and bad ones lower it.

Consistent with Nisan’s moral balance model (1991), Monin and Miller
(2001) conducted experiments in which they found that a prior moral act (even a token one) can license later morally questionable behavior. In one study, participants were presented with job-selection tasks. In their first such task, half of the participants were given the opportunity to select a stellar African American applicant, thus establishing nonracist credentials. The other half of the participants were in a control condition and were asked to pick from an all-white applicant pool. Compared with participants in the control condition, participants in the African American–candidate condition were more likely to say that a second, unrelated job in a police force identified as racist would be “better suited” for a white person than an African American person. This second task was designed to make it attractive for participants to favor a white person. However, this choice entails behaving in a way that feels unethical in a prejudice-conscious society; as a result, participants do not express this preference unless they have established their nonracist self-image with their first choice—what Monin and Miller (2001) labeled a moral credential.

Across various studies, Monin and Miller (2001) demonstrated that bolstering people’s moral self-regard can liberate them to act less ethically in the future. Similarly, Mazar and Zhong (2010) found that people were more likely to cheat and steal after purchasing environmentally friendly products as opposed to conventional products. These studies demonstrate that socially conscious, ethical acts can secure a moral self that licenses socially undesirable behaviors even in unrelated domains. Interestingly, people do not seem aware of their tendency to keep their moral credits and debits in balance.

Moral Resentment

In a second stream of research, Monin and colleagues have found that learning about the behavior of heroes or saints can threaten people’s moral self-regard in cases in which our behavior often falls short in comparison to theirs. As a result, they express resentment of these superior others, despite their clearly stellar and exemplary behavior (Monin, 2007). In one experiment, Monin and colleagues examined reactions to a target individual who refused to express opinions that contradicted his or her private beliefs. Although neutral judges appreciated this person and rated him or her positively on various dimensions, participants who had earlier expressed ideas that contradicted their beliefs without complaint expressed high levels of disliking for the target (Monin, Sawyer, & Marquez, 2008). Those who had willingly gone along with the problematic behavior perceived the target’s exemplary behavior as a threat to their moral self-image and, consequently, derogated him or her (Monin & Jordan, 2009).

This research has direct implications for whistle-blowers, who are
often lauded by the general public but scapegoated as the embodiment of treachery in their organizations. Monin et al. (2008) point out that it is common for heroes to be attacked by those closest to them. Hugh Thompson, Jr., the U.S. soldier who worked to stop the My Lai massacre during the Vietnam War, was shunned by his fellow soldiers and received numerous death threats (My Lai massacre, 2006). Frank Serpico, the New York police officer who exposed rampant corruption in the force, was shot in the face by fellow officers (Maas, 1973). The person who turned in a CD of photos showing the abuse of Iraqi detainees at the Abu Ghraib prison by U.S. soldiers during the Iraq War was taken into protective custody after receiving various threats from former colleagues (Rosin, 2004). Would-be whistle-blowers face incredible pressure to not report wrongdoing because it threatens both the material well-being and the psychological well-being of others’ moral selves.

Moral Compensation

Finally, in the third stream of research, Monin and colleagues have demonstrated that a threat to individuals’ self-concepts in a nonmoral domain may lead to moral derogation: Individuals may boost their own moral self-regard and put down others’ morality as a result of such a threat. In one study demonstrating this phenomenon (Jordan & Monin, 2008), participants were asked to complete a boring task for the experimenter (a repetitive number-writing task). After completing the task, participants saw a confederate quit the same task without facing any negative consequence. As a result, participants elevated their ratings of their own morality and castigated the morality of the confederate, as compared both with participants who simply completed the boring task without seeing the confederate quit it and participants who simply observed the confederate quit the task without first having completed it themselves. Thus having completed an exceedingly boring and tedious task, together with witnessing another person avoid it, represented a threat to participants’ general self-worth as rational, efficacious agents (Monin & Jordan, 2009). As a direct consequence of feeling threatened, participants compensated by boosting their moral self-regard and dimming their view of the other’s morality.

Studies on moral credentials, moral resentment, and moral compensation provide robust and consistent evidence that our morality is malleable and dynamic. Monin’s research examines influences on a person’s moral self-regard by focusing on the person’s past actions and others’ current behavior—two moments in time that provide opportunities to act dishonestly. Yet one can also take a longer term view of morality. How do people behave, from a moral standpoint, when they encounter multiple opportunities to act dishonestly? We turn to the research stream that has addressed this question next.
Unethical behaviors are often tempting because they offer short-term benefits, such as monetary rewards. For instance, a manager may gain a financial reward by inflating her expense report or her billable hours. The short-term benefits of unethical behavior, however, often risk inflicting long-term harm on one’s reputation, established relationships, and long-term profitability. Thus many unethical behaviors are tempting in the moment but harmful over time. To resist the short-term temptation to act unethically, people need to exert self-control (Mead, Baumeister, Gino, Schweitzer, & Ariely, 2009). Self-control has been defined as “the ability to override or change one’s inner responses, as well as to interrupt undesired behavioral tendencies (such as impulses) and refrain from acting on them” (Tangney, Baumeister, & Boone, 2004, p. 274). Self-control enables individuals to resist short-term temptations (e.g., the pleasure of eating cheesecake) to achieve long-term aims (e.g., losing weight; Loewenstein, 1996; Mischel, 1974; Myrseth & Fishbach, 2009).

In the near term, self-control, or self-regulation, is a finite resource (Baumeister & Heatherton, 1996; Heatherton & Baumeister, 1996; Muraven, Tice, & Baumeister, 1998). When exercised, self-regulatory resources become depleted, and subsequent self-control becomes much more difficult. Indeed, when people self-regulate their behavior (e.g., by not buying a tempting product they do not need), they consume self-regulatory resources and have few such resources available for a subsequent task. Compared with people who have not recently had to self-regulate their behavior, people who have done so are more likely to overeat, procrastinate, or shop impulsively (e.g., Baumeister, Bratslavsky, Muraven, & Tice, 1998; Vohs, 2006; Vohs, Baumeister, & Ciarocco, 2005; Vohs & Faber, 2007; Vohs & Heatherton, 2000; Kivetz & Simonson, 2002; Mischel, Shoda, & Rodriguez, 1989).

Just as people use self-control when dieting, they also use it to refrain from engaging in tempting, unethical behavior (e.g., submitting an inflated expense report or taking office supplies home). In a laboratory study, Muraven, Pogarsky, and Shmueli (2006) found that depletion of one’s own self-regulatory resources predicted cheating on a problem-solving task. Mead and colleagues (2009) also found that individuals were more likely to misrepresent their performance when their self-control was depleted than when it was not. This research suggests that depletion of one’s self-regulatory resources promotes cheating. Building on this work, Gino, Schweitzer, Mead, and Ariely (2011) demonstrate that resisting unethical behavior requires and depletes self-control resources. Gino, Schweitzer, et al. (2011) found that individuals with depleted self-control resources do not become less likely to recognize unethical behavior but do lack the willpower needed to resist tempting unethical acts.
Fortunately, people can replenish their self-regulatory resources over time. Specifically, Baumeister and Exline (1999) argue that people’s willpower becomes stronger as it is exercised. The more often people engage in virtuous behaviors, the stronger the moral muscle grows, until behaving in virtuous ways becomes automatic—thus requiring little energy to enact. Although their model falls outside the moral domain, their findings add an important element to our understanding of how people regulate their morality over time. If individuals can struggle with but overcome their temptations and adhere to their moral beliefs, they might be able to have higher resolve in the future.

CROSSING ETHICAL BOUNDARIES: THE PERSON OR THE SITUATION?

The streams of research we’ve reviewed so far explain when and why people act dishonestly in the face of one, two, or multiple opportunities to cheat. Though different, these streams of research share the same assumption: that even people who care about morality cross ethical boundaries in predictable ways. In so doing, these research streams stress the role of social and situational forces on one’s moral compass. Yet not every scholar sees the situation as being as powerful as this body of work implies when it comes to explaining unethical behavior. In fact, scholars interested in ethics have long discussed whether dishonesty is mainly the result of character flaws (the “bad apples” view), situational influences (the “bad barrel” view), or both (see, e.g., Treviño’s [1986] person–situation interactionist model, or Jones’s (1991) issue-contingent model). These different approaches focus on different sets of factors to explain the determinants of ethical decision making and unethical behavior.

Scholars who emphasize the impact of individual traits or characteristics in explaining unethical behavior suggest that morality is a relatively stable personality trait that people develop as they pass through different phases, or “stages,” of moral development. For instance, expanding upon Piaget’s three-stage framework of cognitive development, Kohlberg (1981) suggested that ethical behavior is determined by the sophistication (or stage) of a person’s moral reasoning. Kohlberg proposed that moral judgment develops through a sequence of three levels comprising two stages each, for a total of six stages. Although individuals who have reached advanced stages may occasionally reason at a lower level, the central tenet of Kohlberg’s model is that people at more developed stages make superior moral decisions to those at earlier stages (Gibbs, Basinger, & Fuller, 1992; Rest & Navarez, 1994). Kohlberg (1981) argued that “the nature of our sequence is not significantly affected by widely varying social, cultural, or religious conditions. The only thing that is affected is the rate at which individuals progress through this sequence” (p. 25).
Other views add situational variations to this model of the impact of individual traits on ethical reasoning and decision making. Rest (1986), for example, proposes a four-step process of ethical decision making: awareness, judgment, intention, and behavior. In this model, success at one stage does not imply success at subsequent stages. Thus a decision maker may possess moral judgment but, failing to establish moral intent in one context, may nonetheless engage in unethical behavior. Using Rest’s words, “a person may have very sophisticated ways of making moral judgments, yet may prize other goals more, may fail to follow through, or may not behave morally” (Rest, 1986, p. 455).

Other fingers point at the situation, not the person. Scholars supporting this second perspective base their theories and empirical work on the assumption that, in most cases, situational forces overwhelm individual differences. Several well-known experiments are commonly discussed in support of this “situationist” account. For instance, in Milgram’s famous experiment, an experimental assistant (an accomplice) asked each study participant to play the role of a teacher and administer “electric shocks” to another participant, the “learner” (who was actually a confederate or experimental assistant), each time the learner made a mistake on a word-learning exercise. After each mistake, the participant was asked to administer a shock of increasingly higher voltage, which began to result in apparent audibly increasing signs of distress from the learner. Over 60% of the study participants administered “shocks” through to the highest voltage, which was marked clearly as being potentially dangerous (Milgram, 1974). These results suggest that it is not individual character that causes one to inflict great pain on an innocent person but rather the situation in which an authority demands obedience. Similarly, in the famous Stanford prison experiment (Zimbardo, 1969), Stanford undergraduates were randomly assigned to be either guards or prisoners in a mock prison setting for a 2-week experiment. After less than a week, the experiment was abruptly stopped because the guards were engaging in sadism and brutality and the prisoners were suffering from extreme stress.

Both of these studies demonstrate two important dimensions that underlie many forms of unethical behavior: incremental steps and hierarchy. Incremental steps, or incrementalism, refers to the idea that terrible acts do not happen suddenly but rather result from a series of small, seemingly inconsequential steps. For example, in the Milgram experiments, the teacher appeared to start the “shocks” at a mere 15 volts and to increase the voltages in 15-volt increments. When people take initially incremental steps in a particular direction, they arrive at a new setpoint of behavior, from which they take a further step. Over time, a series of incremental steps can produce behavior that, at a distance, seems abhorrent. But to the individual taking the steps, the last act is simply one small step from the previous one (Gino & Bazerman, 2009; Tenbrunsel & Messick, 2004). The idea of
incrementalism can provide insight into large-scale atrocities. For example, the Nazis in Germany did not start exterminating Jews immediately after taking power. Rather, their “final solution” resulted from a series of incremental steps made over an extended period of time. Notably, incrementalism is an effective technique for leading people down a new path, regardless of whether that path leads toward the production of good or evil.

In the unethical behavior uncovered in both the Milgram and the Stanford prison experiments, hierarchy also plays an essential role. Hierarchy is the predominant form of social organization in the world because it solves so many problems posed by the need to organize a collection of individuals (Magee & Galinsky, 2008). Halevy, Chou, and Galinsky (2011) note that hierarchy establishes a division of labor and reduces conflict by creating patterns of deference while motivating performance through the alluring rewards offered to the powerful. As a result, the human mind has evolved to be incredibly sensitive to one’s own place in a social hierarchy and the behavior expected in that role. Research has shown that although people self-enhance on almost any dimension—from intelligence to attractiveness to morality and charity—individuals are remarkably accurate in their assessments of their own status, as well as that of others (Anderson, Srivastava, Beer, Spataro, & Chatman, 2006). For a hierarchy to function effectively and smoothly, those who are lower in the hierarchy must defer to those higher in the hierarchy. As a result, when an authority figure asks a lower-ranked individual to take some action, the person will often do it, even if that action would be considered unethical.

In addition to incrementalism and hierarchy, studies have identified other situational factors influencing individual dishonesty, such as incentive structures, organizational culture, job context (Ferrell, Gresham, & Fraedrich, 1989; Treviño, 1986), and even more subtle influences, such as ambient lighting (Zhong, Bohns, & Gino, 2010), the use of fake products (Gino, Norton, & Ariely, 2010), social bonds (Gino & Galinsky, 2012), and environmental wealth (Gino & Pierce, 2009). For example, Gino and colleagues (2010) found that participants who wore counterfeit sunglasses were more likely to cheat on various performance tasks by overreporting their performance, compared with participants who wore branded sunglasses.

Some of this research, such as studies focusing on the effects of ethics codes or ethical climate and culture in organizations, use a survey-based approach, which has the benefit of external validity but often involves correlational analyses. Other research, such as studies on the influence of subtle environmental factors, uses laboratory experiments. Although such studies may be criticized for a lack of external validity, they allow scholars to explore causal relationships in controlled environments. More recently, scholars have started using mixed approaches to the study of ethics. So, for instance, Gino and Pierce (2010) used data from emission testing markets...
to study illicit helping and hurting and paired their field data with laboratory studies to examine psychological mechanisms that cannot be explored in field settings.

Overall, this “situational ethics” approach provides relevant qualifications to the correspondence between moral traits and moral behavior by recognizing the moderating role of the situation in determining behavior. At least in its more liberal form, it suggests that morality is *malleable* and *dynamic* and that individuals with certain moral traits, even when they strongly value morality, may not behave consistently across different situations (Monin & Jordan, 2009).

**CONCLUSIONS**

Topical stories in the media exposing unethical practices in business and broader society have highlighted the gap between the decisions people actually make versus those they believe they should make. In recent decades, a large body of work across many disciplines—from social psychology and philosophy to management and neuroscience—has tried to tease out the reasons that people behave in ways inconsistent with their own ethical standards or moral principles. Antecedents of ethical decision making and dishonest behavior range from individual differences to situational forces that are so strong that they make individual choice all but irrelevant. In this chapter, we reviewed recent findings from the social psychology and management literatures and discussed how they can help us better understand why ethics is so hard to maintain in today’s society.

We presented an organizing framework that focuses on the number of opportunities people face to behave dishonestly (one, two, or multiple opportunities). Though very insightful, this research has not examined how dishonesty occurs over the long run (e.g., years or even a lifetime). By taking a long-term perspective, future research could further our understanding of the antecedents and consequences of dishonesty. However, independent of the time frame considered (short vs. long term), the study of individuals’ psychology and the influences of environment may prove particularly valuable as we try to understand corruption in organizations and society more broadly.

**REFERENCES**


