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Journal of Economic Behavior & Organization

journal homepage: www.elsevier.com/locate/jebo



Compliance and the power of authority

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ARTICLE INFO

Article history:

Received 9 June 2014

Received in revised form

18 September 2015

Accepted 21 September 2015

Available online xxx

JEL classification:

C72

C91

D03

M12

H8

Keywords:

Compliance

Obedience

Conformism

Social pressure

Experimenter demand

Antisocial behavior

ABSTRACT

Compliance to authority is an integral part of how organizations operate. We use an experiment to show that compliance to a cue by an authority is a powerful motivating mechanism. We do this in an experiment where there are direct orders or indirect cues to destroy half of another participant's earnings at a cost to one's own earnings. Depending on the experimental treatment, up to around 60–70% of participants decide to comply with the orders or cues being provided.

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Within the scope of the contract, the relation between employer and employee is no longer a market relation but an authority relation.

(Arrow, 1974:64)

1. Introduction

Kenneth Arrow (1974) argued that the most prevalent characteristic of organizations of any size is the relationship of authority and that this, along with compliance to authority, is an integral part of the mechanism by which organizations function. Organizational psychologists such as Cialdini and Goldstein (2004, p. 596) claimed that “most organizations would cease to operate efficiently if deference to authority were not one of the prevailing norms.” In social psychology, the paradigmatic case is provided by Milgram's (1963, 1974) series of psychology experiments on authority. In these studies the subjects, for the sake of science, were requested to press a button supposedly to implement an escalating series of electricity shocks

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<http://dx.doi.org/10.1016/j.jebo.2015.09.016>

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Please cite this article in press as: Karakostas, A., Zizzo, D.J., Compliance and the power of authority. J. Econ. Behav. Organ. (2015), <http://dx.doi.org/10.1016/j.jebo.2015.09.016>

to a confederate every time the latter provided a wrong answer. The results were surprising, as up to 62.5% of the subjects continued up to the maximum 450 volts electric shock.¹ These studies involved deception and a strong authority presence who provided progressively stronger verbal cues as the experiment progressed. In economics, authority has been examined in terms of decision rights and asymmetric information (Grossman and Hart, 1986; Hart and Moore, 1990; Aghion and Tirole, 1997). Yet, the psychological effect of authority on economic interactions has been largely disregarded.

A few recent experimental studies have hinted at the potential importance of the psychological effect of authority for tax compliance. Silverman et al. (2014) presented a public good experiment where subjects were requested, and later on reinforced with appeal to the expertise of different authorities,² to contribute the socially optimal level. An explanation for why subjects should behave prosocially tended to be effective when combined with the threat of punishment (Silverman et al., 2014).³ Similarly, Cadsby et al. (2006) have shown that many people pay taxes because they are inclined to obey authority despite the financial attraction of non-compliance. Cadsby et al. (2006) comes closest to our experiment by requiring subjects to pay a cost. However, their design is set in a prosocial context⁴ and in their manipulation subjects were not simply requested but also *expected* to act in line with the request of the experimenter's authority.⁵ In an organizational frame, Robin et al. (2012) found that workers are willing to change their opinions in order to comply with those of their managers.

We define compliance to authority as a willingness to permit one's behavior to be determined by the experimenter.⁶ We present a simple experiment on the role of compliance towards an authority, the experimenter, in an experiment where compliance damages other people's earnings at a small own monetary cost. In our experiment we examine how (in)direct cues for compliance affect participants' willingness to comply. Additionally, we examine the implications of these cues being: (un)justified, in the form of an order, or provided at specific intervals in time, affect participants' compliance. In that sense our experiment also serves as an experimental study on 'nudging' (see Thaler and Sunstein, 2008) and particularly how different nudges affect participants' compliance to requests by an authority. There is significant experimental evidence which suggests that some people pay taxes because they are intrinsically motivated to pay taxes or more generally to obey the law (see, e.g., Feld and Frey, 2002 or Alm and Torgler, 2006). In these studies paying tax is framed as a moral obligation. In our design there are neither prosocial incentives towards the other participants (as in Silverman et al., 2014), nor monetary incentives for compliance with the authority (as in Robin et al., 2012). This allows us to focus on whether participants have a drive to comply with an authority, even when there are no monetary benefits (or the risk of sanctions) for him or his peers from doing so. This enables us to shed more light on whether a norm for compliance exists and if so how it influences behavior. In this respect, the choice of an antisocial domain for the action to be undertaken by the agent is especially useful to control for potential explanations of changes in behavior based on social norms to be prosocial (e.g., Bicchieri, 2006; Keizer et al., 2008; Bicchieri and Xiao, 2009).⁷ Within a tax context, this is in turn relevant to identify possible strategies to increase tax payment, for example based on advertising campaigns.

A laboratory experiment is particularly useful to understand *whether* there is such a thing as deference to authority and *why* it exists, i.e., to identify the underlying preferences and mechanisms that would be difficult to isolate with non-laboratory data. For example, outside the laboratory, there are often long term relationships between an authority and the subordinate. In the workplace, for instance, it is difficult to cleanly identify whether and why there is deference to authority as opposed to simply behaving in a way that satisfies one's own long-term reputational self-interest. There is a natural way to implement authority in the laboratory, and that is by exploiting the authority of the experimenter: subjects view the experimenter as being in a position of authority due to its legitimacy and expertise about the experimental environment (Orne, 1962; Rosnow and Rosenthal, 1997; Zizzo, 2010). Similarly to Cadsby et al. (2006) and Silverman et al. (2014), we use experimenter demand as our tool to study compliance.⁸

We wish to address the following questions in this paper. Can *vertical*, i.e., hierarchical, social pressure by an authority induce compliance? What if there is no financial incentive for complying, the action to be undertaken by the agent is antisocial (that is, contrary to the standard social norm of not damaging others), and the nudge is much weaker than in Milgram's

¹ Similar results have been found under a range of variants and of subject pools (e.g., Kilham and Mann, 1974; Shanab and Yahya, 1977, 1978; Meeus and Raaijmakers, 1995; Blass, 1999). See Reicher et al. (2012) for a recent review and reinterpretation of the experimental psychology literature.

² Initially there is an explicit request, later on reinforced with a justification provided by four graduate students, or four members of faculty.

³ Arrow (1974) also argued that the main role for sanctions is to facilitate authority, an argument strongly supported by the findings by Silverman et al. (2014).

⁴ For reasons explained below, we preferred an antisocial context, as it allows us to eliminate potential confounds.

⁵ Subjects were given an explicit reason to give, which was to help fund future experiments.

⁶ Our definition of authority is very similar to Simon's (1979) who defined obedience to authority as "a willingness to permit one's behavior to be determined by the employer" (Simon, 1979:502). Similarly to Arrow (1974), Simon (1946, 1979) also argued that obedience to authority is a prevailing norm within organizations.

⁷ Hence, our choice for an antisocial domain is methodological: we wanted to eliminate compliance driven by a motive to be nice towards peers (i.e., the other participants). Nevertheless, there are cases in the real world where subordinates need to take unpleasant or nasty decisions driven by requests from a higher authority. Two examples include mid-level managers who need to reduce personnel, or alternatively relocate staff to shared offices, under a directive from a high-level manager.

⁸ Providing the role of authority to the experimenter is a considerably more valid experimental test of the role of the authority in the laboratory than would, say, providing the role of authority to an experimental subject; the latter would make the experiment one where any effect of authority would be inexorably confounded with one of peer pressure, rather than enabling to identify the effect of authority.

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