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Immoral goals: how goal setting may lead to unethical behavior

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This review summarizes the relatively recent findings and discussion of the immoral impact of goal setting systems. While hundreds of studies show the positive impact of goals leading to increased performance, we focus on the studies showing that goals have a powerful negative impact on increasing unethical behavior. First, we discuss the theoretical reasons why goals lead to unethical behavior in terms of decreased moral awareness, increased moral disengagement, decreased self-regulatory resources, and increase risk taking. Second, we summarize the impact of goal structures and reward systems and discuss the particularly negative impact we when pay for goal performance. Finally, we point out the negative impacts on organizations in terms of managed earnings, meeting analyst expectations, and employing stretch goals.

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Introduction

Decades of research in goal setting [1] has shown that setting and committing to specific, challenging goals leads people to perform tasks better and persist longer in the lab and in field settings. However, recent research indicates that goals may have an unexpected negative impact and lead to unethical behavior. Our summary primarily examines 'performance goals' in which a specific outcome (e.g., $200 000 in sales, running a marathon in under 3 hours, achieving a 4.0 gpa) is expected or required in a given period of time. Thus, we also include terms such as expectations (e.g., analyst expectations), targets, aspirations, quotas, status quo, and reference points that have an impact on individual and organizational behavior.

Schweitzer *et al.* [2] present the first laboratory evidence that goals can lead people to cheat. They show that student participants are more likely to overstate their performance on an anagram task when they had specific, challenging goals rather than when they were simply told to 'do their best.' The likelihood of cheating is not impacted by financial incentives to reach the goal but is affected by the proximity toward meeting the goal, indicating that the goal itself was the source of the problem. High profile business anecdotes further support the case that goals can lead to unethical behavior [3]; for example, Secretary of Veterans Affairs Shinseki resigned amidst the recent scandal in which at least 40 patients died waiting for care after their names were purged from the waiting list in an effort to create an appearance that the VA had met an aggressive 14-day wait list goal [4].

How goals can lead to unethical behavior?

Goals have been shown to result in unintended and unwanted behaviors. The presence of goals has been shown to create threat of failure and stress [5]. Excessive stress created by difficult goals has been shown to decrease performance [6], however, performance improves if one views goal difficulty as a challenge rather than a threat [7]. Goals can lead to more risk taking [8], reduce cooperation and increase deception [9], and escalation of commitment to failing projects that can lead to concealing negative outcome information [10•,11]. In addition, a study by Moore *et al.* [12•] showed that people performing poorly on a task were more likely to cheat if they were led to believe that the task was relatively easy as compared to those who anticipated a more difficult task; this effect seems to be driven by cognitive dissonance created by unmet expectations. This overall stress caused by pursuing financial and social-status goals may be one potential source of unethical behavior: General Strain Theory [13] claims that the strain caused by not meeting socially acceptable goals may lead to crime to meet those goals.

What mechanisms link goals and unethical behavior? Barsky [14] postulates two main effects of goals: (1) decreased ethical recognition and (2) increased moral disengagement. *Ethical recognition* seems to wane when pursuing goals by directing attention away from evaluating the ethics of their behavior and toward achieving the goal [14]. Welsh and Ordóñez [15••] test an adaptation of self-concept maintenance theory [16] which posits the importance of attention to ethical standards in making ethical decisions. They showed that the negative impact of goals leading to unethical behavior can be eliminated by making the individuals aware of their moral standards through subconscious ethical and unethical priming.

Goals increase *moral disengagement* through rationalization of unethical behavior to meet the goal [14]; this becomes a tool for leaders who wish to encourage their employees to achieve goals at all costs [17].

In addition, goal pursuit seems to lead to unethical behavior through a reduction in self-regulatory resources [18••]. Mead *et al.* [19] postulate that honesty requires self-regulatory resources [20] since we have to balance the potential benefits of dishonesty with the desire to be socially conforming. As predicted, they find that depleted individuals were more likely to lie. Interestingly, the very mechanisms through which goals operate may lead to depletion and, thus, to cheating. Welsh and Ordóñez [18••] note that goals direct attention to goal-relevant activities, motivate and energize greater effort, increase persistence and prolong effort, and lead individuals to discover and use new task-relevant knowledge to improve performance — all activities that lead to depletion. They find that individuals with repeated rounds of high goals compared to low goals or instructions to 'do your best' were more likely to cheat which was mediated by their depletion.

Risk preference may be another mechanism linking goals to unethical behavior. Heath *et al.* [21] are the first to link goals to Prospect Theory [22] by postulating that goals act as reference points. Thus, when individuals have not yet reached their goal, they are in the domain of losses. Once they reach their goal, they move to the domain of gains. Loss aversion in Prospect Theory predicts that decisions made in the domain of losses will be more risk seeking than those made in the domain of gains. Thus, goals may lead to risky behavior. If we assume that cheating is a risky behavior, then the presence of goals may increase unethical behavior due to an increase in risk seeking behavior. In support of this prediction, Pittarello *et al.* [23•] found that falling below the reference point increased the tendency to exploit ambiguous situations. In addition, Cameron and Miller [24] found that participants were more likely to cheat when their payment structure was framed in terms of losses as compared to gains. Similarly, people judge that others in the 'loss domain' of unmet goals are more likely to cheat and lie [25]. Finally, Gino and Margolis [26] suggest that promotion goals lead to increased risk-seeking behavior and, thus, more cheating as compared to those with prevention goals.

Individual differences have been shown to have a significant impact on moral reasoning and decisions. In a recent review [27], several individual factors were noted, such as moral awareness, moral judgment, moral disengagement, and moral identity. Surprisingly, gender was not a significant predictor of moral judgment or decisions, despite strong intuitions and early research. One study by Niven and Healy [28•] found an interesting interaction between the impact of goal setting and individual differences. They found that only those participants with high moral justification were more likely to advocate for using unethical methods in the high performance goal conditions.

Goal structures and rewards

The type and structure of goals can have a substantial effect on the resulting potential for unethical behavior. Even before the connection between goals and unethical behavior had been demonstrated empirically, Jensen [29] warned that the use of all-or-nothing goals, in which a reward is given only if the goal is met, would increase lying and cheating more than rewarding performance using a linear compensation system. Managers who are close to attaining the target may go to great lengths to achieve it, often through questionable tactics such as realizing sales revenues early or hiding expenses, and are rewarded for doing so even though the company as a whole may be worse off. Echoing Jensen's (2003) concerns, Hernandez and Groot [30] found that auditors perceive that those organizations that are focused on performance targets have a higher propensity to commit fraud.

Using an experimental design comparing different compensation systems, Cadsby *et al.* [31] demonstrated that goal-contingent rewards increased cheating relative to piece-rate and tournament-based compensation systems but did not improve performance. Similarly, Gill *et al.* [32•] found that a performance-based compensation system with random bonuses increased dishonesty but did not improve performance. High performance goals may be particularly likely to increase dishonesty when promotion availability is limited [33•]. Goal-contingent rewards may not only have potentially adverse consequences for the organization but may also increase the stress of employees pursuing those goals given that valued outcomes are at stake and the potential for failure is salient [34]. In addition to one's personal desire to meet the goal in order to achieve a reward, social comparison has also been shown to increase unethical behavior as the comparison of a higher compensation system creates a reference point for those earning less [35•]. In contrast, the use of mastery-based goals grounded in an intrapersonal standard was associated with less unethicality than the use of performance-based goals grounded in an interpersonal standard [36].

Goal setting at the organizational level

There has been growing interest in the potential negative effects of goals not only at the individual level but also at the organizational level. Greve *et al.* [37, p. 64] suggest that unethical behavior may occur not only when individual goals are unfulfilled, but also when organizational goals are unmet as employees may 'internalize the achievement gap and may be motivated to engage in