

6.6: The Role of Ethics and National Culture

Learning Objectives

1. Consider the role of job design, goals, and reward systems in ethical behavior.
2. Consider the role of national culture on job design, goals, and reward systems.

Designing a Motivating Work Environment and Ethics

The design components of an organization's internal environment, such as the presence of goal setting, performance appraisals, and the use of incentive-based reward systems, have a direct connection with the level of ethical or unethical behaviors demonstrated within a company. Although a large number of companies successfully use goal setting and rewarding employees based on goal accomplishment, there is an unintended consequence to using goals: Goal setting may lead to unethical behaviors on the part of employees. When goal accomplishment is rewarded, and when rewards are desirable, employees will have two basic options: Work hard to reach the goals, or cheat.

The connection between goal setting and unethical behaviors has been well documented. For example, teachers rewarded for their students' success were more likely to cheat by giving the answers to students. Sanitation workers on an incentive scheme were more likely to take their trucks to the landfill with loads exceeding legal limits (Pfeffer, 2004). Salespeople working on commissions may push customers to make a purchase beyond their budget. At higher levels within companies, a CEO's method of payment has been related to the ethical behaviors of companies. For example, when a large percentage of a CEO pay package consists of stock options, companies are more likely to misrepresent the financial situation of the company, particularly when the CEO is also the head of the board of directors (Harris & Bromiley, 2007; Priem, Coombs, & Gilley, 2006).

This does not mean that goal setting always causes unethical behavior. People who behave unethically tend to constitute a small percentage of the workforce. However, for this small percentage, goal setting and incentives act as motivation to behave unethically. The tendency to behave unethically under these systems also increases when goals are not met, but instead, employees come close to reaching them, particularly when they are competing against each other to receive the rewards (Bellizzi, 1995; Schweitzer, Ordóñez, & Douma 2004). There are several ways companies can reduce the temptation to behave unethically. Specifically rewarding ethical behavior within the company is related to lower levels of unethical behaviors (Trevino & Youngblood, 1990). Also, instead of only rewarding people who reach a high goal and not giving anything to those who come close, companies may consider creating multiple levels of goals and distribute rewards corresponding to the goal that is achieved (Locke, 2004). Enforcing an ethical code of conduct and withholding rewards from those who are not demonstrating ethical behaviors are other ways of preventing goal setting from leading to unethical behaviors.

Designing a Motivating Work Environment Around the Globe

The effectiveness of methods such as job design, goal setting, performance appraisals, and the use of incentives is likely to be culturally determined. For example, research conducted in Western countries suggests that empowering employees is an effective method of motivating them. However, not all employees around the world respond favorably to concepts such as autonomy or empowerment. For example, it has been noted that the use of self-managing teams, a method of increasing employee empowerment in the workplace, is difficult to execute in Mexican companies because of the traditionally paternalistic and hierarchical nature of many Mexican organizations. In such a context, employees may not be willing or ready to take responsibility for individual action, while managers may be unwilling to share real power with employees (Nicholls, Lane, & Brechu, 1999). Researchers also found in a four-country study that while employees in the United States, Mexico, and Poland responded positively to empowerment, Indian employees were actually less satisfied when they were empowered (Robert et al., 2000). In other words, we may expect both greater levels of difficulty and potentially different reactions to empowerment depending on the cultural context.

Are all employees around the globe motivated by goal setting? Even though there is limited research in this area, existing findings point to some differences. For example, we know that American employees respond negatively to goals when these goals are perceived to be extremely difficult. However, Chinese employees actually were most motivated when the goals were very difficult. This may be because Chinese employees believe that their performance depends on their effort, and therefore, they are able to respond to goals that are very difficult with very high effort. On the other hand, there is some evidence that while specific goals motivate Western salespeople, in China goals low in specificity were more motivational (Fang, Palmatier, & Evans, 2004).

How about performance appraisals? You may predict that concepts such as 360-degree appraisal are not suitable to all cultures. The 360-degree appraisals require a climate of openness and social equality in the workplace. Therefore, countries high in power distance and authoritarianism may respond negatively to appraisal systems where lower level employees give performance feedback to their managers. Likewise, in cultures high in collectivism, using peer appraisals may not be as effective, because employees might be hesitant to give accurate performance feedback to their colleagues with the fear that negative feedback may damage interpersonal relationships.

Key Takeaways

Goal setting and reward systems influence the level of ethics in the work environment. When employees come close to reaching their goals but fall short, they are more likely to behave unethically. The type of incentive system used in a company may generate unethical behaviors. Moreover, job design, goal setting, performance appraisals, and incentives should be designed while considering the national culture context, because they may not be universally valid.

Exercises

1. Do you have any experience with goal setting leading to unethical behaviors?
2. Many observers and employees are concerned about the spread between CEO pay and average employee pay. Is it ethical for CEOs to be paid so much more than other employees? Under which conditions would it be unethical?
3. How would you determine whether a certain incentive scheme or a type of performance appraisal could be transferred to a different culture?

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