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Understanding the role of behavioral science on ethics in the workplace

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Policymakers have been proposing reforms focused on preventing gross and blatant law violations; still, they have ignored the more stereotyped, vapid acts of unethical behavior that are far more common in organizations. Corporations bear high costs annually by avoiding tax payments and other money-related unethical behaviors by their employees. Seventy-three percent of professionals say an organization's values are important to them and would not apply to a company if its values are not aligned with their own. Furthermore, 43% of consumers have stopped buying from brands they find unethical, and 71% say they carefully consider corporate values when making a purchase.[1] Henceforth, corporations aim to have a significant interest in preventing unethical and illegal behavior by adhering to compliance programs. Despite prioritizing and keeping compliance-related matters atop a corporation's priorities, effective management of compliance risk continues to present challenges.

Primary reasons for unethical behavior in organizations

According to scholars, there are several common factors responsible for unethical behavior in organizations, including:

- Social influences: implying that individuals abide by social rules that provide them with the opportunity to maintain or enhance their in-group identity
- Greed: suggesting that individuals indulge in unethical behavior to restore fairness in the presence of both pay differentials and wealth abundance in the environment
- Egocentrism: the desire to maximize one's outcome that allows individuals not to update their self-concept when behaving unethically
- Self-Justification: argues that the availability of justifications for dishonest conduct leads to increased unethical behavior by allowing individuals not to update their self-image as honest and reasonable.[2]

Additionally, dense workloads form stressed minds. High stress and employer pressure on employees can cause unpleasant working environments and poor management, leading to unethical behavior.[3]

Therefore, a derailed environment leads to a loss of enthusiasm and costs employees' productivity. It also makes an organization seem less credible as a loss of respect follows poor treatment. In extreme cases, one often confronts legal issues incurring a loss of time with an enormous monetary loss in the form of fines and hefty penalties. Criminal charges are often brought against employees involved in unethical behaviors.

A need to understand human behavior

To avoid such cases, an organization needs to invest in understanding human behaviors and create policies and practices that promote good ethical behaviors rather than hoping for human behavior that supports the policies and procedures in place. It is a matter of growing interest among public and private sector organizations in behavioral science to enhance decision-making and overall outcomes. The aim is to form an effective, transparent, and accountable institutional development. To achieve this, organizational leaders need to understand human dynamics and be onlookers of interventions to translate human dynamics into human motivation. However, there is often the question of whether the interventions should be applied to the whole organization or the people in it. The best answer lies in understanding that an organization is made up of people; by nudging the right types of people and tweaking the right policy levers in organizations, the whole organization can change.[4]

Cognitive biases and their effects on decision-making

To understand how human dynamics shape the decision-making process and turn those into human motivations, it's essential to understand certain biases that alter our perception of reality somewhere close to the truth—but not quite. This brings to attention the need for employees and managers to know their inherent biases and their effect on interpersonal relationships and decision-making.[5] Having an open dialogue on this subject and working together to fight workplace bias will prevent unethical and illegal behavior.

It is also essential to understand good people can make bad decisions under biases, heuristics, and specific organizational pressures. Hence why behavioral ethics research shows that even when people intend to do the right thing, they may make bad decisions.[6]

Studies show managers tend to be inclined toward ideas aligned with their interpretations and keep their points of view restricted. Rational choices, therefore, take a back seat to confirmation biases.[7] Additionally, we have seen managers taking credit for a valued project and blaming other employees or external factors when the outcomes are not desirable—an example of "self-serving bias." Moreover, in an organization, people often think they can make good decisions with limited information. This is called "anchoring bias," meaning that receiving the first set of information leads to a final decision. Giving excessive weight to our first impressions can prove to be one of the loopholes in subsequent decisions. The anchors can be based on stereotypes or our likeability toward a person.[8]

Managers and employees must undergo training in self-awareness, as their tendency to judge themselves by their intent rather than impact can create blind spots that can hinder effective decision-making. A blind spot is a bias where people perceive the decisions of others as prejudiced.[9] People conventionally think of their decisions as rational compared to others. It is challenging for organizations to yield a favorable outcome when people are unaware of their biases.

Impact of decision-making on ethical climate

Therefore, it is understandable that cognitive biases impact ethical decision-making and help us understand the way people's bad decisions leave an impact on the "ethical climate." Ethical climate refers to the shared perceptions of organizational policies that define ethical behavior in an organization.[10] Understanding the ethical climate serves as a group regulation tool, representing and forerunning an employee's perceptions and behaviors. Research has shown that an ethical climate predicts both positive and negative behaviors and attitudes of employees. Therefore, understanding the significance of an ethical climate prevents or discourages deviant work behaviors. To focus interventions pertaining to target pro-organization behavior, it is necessary to create an ethical climate consistent with organizational policies and goals. It is also required to understand that different organizations have different ethical environments; therefore, interventions must be constructed accordingly.

Behavioral ethics nudging and its applications

Here enters behavioral ethics nudging. It is a tailored use of choice architecture designed to bring out the desired behavior in employees.[11] This tool lessens the compliance risk associated with unethical behavior and significantly fosters ethical decision-making within corporations. Behavioral nudges are easy to implement, cost-effective, and found in some of the United States of America's largest and most respected companies.

For example, Google has been using choice architecture to encourage eating healthy foods. It motivates its employees with pictorial displays of healthy foods and unpopular facts about vegetables in its cafeterias.[12] The United States and the United Kingdom governments have established "Nudge Units" to strengthen public policy using behavioral insights.[13] Nudges are also used to make people compliant with taxes and reduce alcohol consumption among youth. [14] Another example is JPMorgan Chase, which uses "predictive monitoring" in its proprietary algorithms to stop unethical and illegal trading behavior. JPMorgan Chase's attempts are remarkable since the bank's software algorithms strive to predict and prevent unethical or illegal trading conduct before it occurs.[15]

Indeed, behavioral nudging is a one-of-a-kind strategy for combating corporate wrongdoing that benefits both employees and the organization. It distinguishes itself as one of the decade's most critical advancements in corporate compliance. It appears to be a win-win situation: a small intervention helps people overcome cognitive barriers that prevent them from acting on their true desires, which, when achieved, enhances individual and social benefit.

Takeaways

- It is essential to recognize that certain inherent biases and heuristics in the workplace can adversely affect decision-making and interpersonal relationships, and even good people can make bad decisions.
- By meticulously using behavioral ethics nudging, a workplace's ethical climate can be improved, lessening the compliance risk associated with unethical behavior.

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