**ORIGINAL RESEARCH/SCHOLARSHIP**

# Fraud and Understanding the Moral Mind: Need for Implementation of Organizational Characteristics into Behavioral Ethics

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## Abstract

The development of behavioral ethics has brought forth a detailed understanding of the processes of moral perception, decision-making and behavior within and beyond organizations and communities. However, prescriptive recommendations of behavioral research regarding how to support an ethical environment often underestimate the specifics of organizational characteristics that may encourage the occurrence and persistence of dishonesty, especially regarding deception as a desired action in some instances by some employees and managers. Furthermore, behavioral research does not adequately recognize the notion that dishonesty can be sometimes viewed as an acceptable cost for some expected traits or skills of an employee such as intelligence or creativity. Under some conditions, deception can be even considered a moral, prosocial activity. Finally, formal ethics systems and situational measures to promote honesty may be inefficient or directly harmful. This article highlights questions of how to assess such factors in research on (un)ethical behavior within organizations.

The Volkswagen (VW) emissions scandal has greatly compromised the reputation of this admired and innovative industrial enterprise (Rhodes 2016). The scandal was not a one-time blunder of a couple of "bad apple" engineers. In fact, as the British Broadcasting Corporation (BBC) reported: "VW must have had a chain of management command that approved fitting cheating devices to its engines" (Hotten 2015). Dutch psychologist Diederik Stapel of Tilburg University was able to counterfeit

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research for many years, and the discovery of his scientific misconduct damaged the reputation of social psychology (Stroebe et al. 2012). His scientific malpractices had long been raising questions, however "his high profile at Tilburg insulated him against initial rumblings about problems with his data" (Budd 2013, p. 50). Enron, Bernard Madoff, or WorldCom are now inevitably associated with gigantic corporate frauds and millions of dollars of losses to their shareholders. In his American Finance Association Presidential Address, Luigi Zingales summarized the state of the financial sector as follows: "not only is the pervasiveness of fraud remarkable… but also the nonchalance of the people committing it.… There is no attempt to hide what they are doing, no sense of guilt. It is [an] ordinary business. I fear that in the financial sector fraud has become a feature and not a bug" (2015, p. 1348; for a detailed overview of the history of American corporate fraud also see Balleisen 2017).

What progress have ethics, moral psychology and organizational science made in studying the causes of fraud and the conditions under which it occurs? In recent decades, mainly behavioral ethicists have focused on studying the psychological processes behind dishonest organizational behavior and the factors influencing unethical behavior. Using laboratory and field experiments, behavioral ethics explores the causality of how and why people in a specific experimental situation form moral judgments, how they approach moral dilemmas, whether they are capable of making and carrying out a decision despite these dilemmas and finally, how people deal with their past (un)ethical behavior. Using this approach, the field can identify elementary and general rules of moral behavior both within and beyond organizations. It has also significantly improved corporate and science ethics research based predominantly on surveys and archival or observational data (Bazerman and Gino 2012; Folger et al. 2013; McLeod et al. 2016; Moore and Gino 2015; Treviño et al. 2006).

Behavioral ethics may provide insight into the processes involved in moral reasoning, moral emotions and the impact of situational factors on dishonest behavior. However, its drawback is a partial sacrifice of acknowledging the influence of organizational characteristics, such as the "importance of institutions and incentives on the individuals' propensity to cheat, with certain rules or organizational modes more likely than others to bend moral firmness" (Irlenbusch and Villeval 2015, p. 90). More is now known about how the human mind works in solving moral dilemmas, but research on why and how they occur in organizations is rather neglected or not reflected in prescriptive recommendations on how to create and support an ethical environment.[1] The relevance of such recommendations may subsequently be limited because the already weak effects found in the experiments will be null in a real-world organizational environment (Houdek 2019; Schild et al. 2019; Sezer et al. 2015; Zhang et al. 2014), as illustrated in Table 1.

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[1] For example, see the work of Ayal et al. (2015) which describes behaviorally inspired situational measures against unethical behavior, and Scott Gelfand (2016) for the application of behavioral ethics in the promotion of ethical behavior among engineering students and professional engineers.

**Table 1** Examples of some psychological processes, and measures based upon those processes, that aim at encouraging ethical behavior, and the involved organizational characteristics that may hamper the impact of these recommendations

| A psychological process leading to dishonesty | Solution | Study | Organizational characteristics limiting the solution's applicability |
|---|---|---|---|
| Directing attention toward self-awareness makes morality more accessible | Signing forms at the beginning makes morality more salient and decreases dishonest self-reports | Shu et al. (2012) | Dishonesty and deception are desired traits in some professions and sectors: in some fields (e.g., public relations, politics, the financial sector), professional identity can be tied to deception and cheating as signs of competence |
| In tempting situations and under time pressure, people lie more than when deliberation is possible | Reduce time pressure to allow reflection of one's own actions | Shalvi et al. (2012) | Dishonesty as an acceptable cost for other desired traits of an employee: if essential people realize that in some situations or organizational environments, dishonesty clearly pays off, reflection about a situation could lead to more dishonesty |
| Decision-makers engage in more unethical behavior if a decision is presented in the context of loss (e.g. "there is 75% chance of losing money"), rather than if it is presented in the context of gain (e.g. "there is 25% chance of gaining money") | Reframe a situation or better calibrate anticipated response to a loss | Kern and Chugh (2009) | Dishonesty and cheating as moral or prosocial activities: if "cheating" is considered a descriptive moral norm (e.g. white lies, loyalty to a group etc.), the solution will not have any impact |
| Situations in which the norms or rules are ambiguous lead to easier justification of dishonesty and more unethical behavior | Provide clear and specific norms or moral reminders that increase the salience of moral norms | Shalvi et al. (2011) | Ineffective or harmful ethics systems: unclear norms, or their absence all together, may be a consequence rather than a cause of a given company culture. Ethics systems that are purely for show are not effective |

Behavioral ethics studies, just like most psychological studies (Henrich et al. 2010), are frequently conducted under simplified laboratory conditions with student participants from affluent countries (Rosenbaum et al. 2014). They identify several variables that causally affect moral reasoning and behavior. An obvious prescriptive recommendation is to manipulate these variables to support ethical behavior in organizations. For instance, if research shows that people consider a certain behavior more unethical if an identifiable victim is harmed rather than an abstract one (Gino et al. 2010), one can nudge employees toward more moral choices by creating a situational reminder of identifiable victims of potentially dishonest behavior: "[t]he decision to withhold or disclose information about the victims and [the] outcomes of a behavior can be a powerful determinant of the ethical perception of that behavior" (Gino et al. 2010, p. 101).

However, organizational characteristics are structurally different from laboratory environments or questionnaire surveys. Employees possessing specific personality traits are selected for their positions, they are not randomly drawn; they work in a long-term organizational culture with its own norms and a varying degree of respect toward them; their decisions do not have to be immediate, on the contrary, it usually takes a long time to make a decision and it is usually further modified; employees usually, though not always, know the potential victims of their deception etc. In addition, as in the financial sector, the incentives that encourage dishonest behavior are extremely high. Therefore, it seems unlikely that a simple situational measure of "an identifiable victim" would have any tangible or long-lasting effect on the level of dishonesty within an organization (Table 1 summarizes other situational measures and provides reminders of why they might not work as planned within real-world organizations).

This article aims to highlight that there are organizational processes, social dynamics, and the selection for certain traits (i.e., organizational macro-level forces) that are rarely reflected in behavioral ethics research or are emulated experimentally only with difficulty, barring such studies. This paper focuses on four specific characteristics of the organizational world that remain insufficiently explored by behavioral ethics, and which encourage the emergence and the persistence of dishonesty on the individual level: (i) dishonesty and deception as primarily desired traits in some professions and sectors, (ii) some degree of dishonesty as an acceptable cost for other required traits of an employee or a manager, (iii) dishonesty and cheating as moral or prosocial activities (or so at least as seen by the decision-makers), and (iv) inefficiently implemented ethical systems.

## Dishonesty and Deception as Desired Traits in Some Professions and Sectors

As the introductory Zingales quote warns, an employee's ability to deceive and cheat may be valued traits in some fields or professions, and convincing lying and dishonesty may be considered signs of competence by managers and leaders, not reasons for ostracizing or distrusting the employee. Even though obvious social costs of dishonest behavior may exist, if an organization draws pure benefit from it, motivation

to prevent deception in its employees may be negligible. According to estimates, only one-fourth of all frauds in the financial sector is exposed, and the penalty rarely matches the extent of the damage (Dyck et al. 2017). These hidden crimes give rise to a long-term company culture based on deceiving clients. By contrast, the universal assumption of behavioral ethics is that dishonesty or cheating is despicable and lowers one's value in an organization and on the job market, and that is why organizations are bound to prosecute and limit it. It is the case that behavior signaling low personal integrity and violating generally accepted norms is condemned (Boles et al. 2000), but certainly not universally.

Stereotypically, it may occur in professions such as investment bankers, politicians, lobbyists, spies, actors, and salesmen, or fields such as public relations (PR) or marketing (Babin et al. 1995). Empirical research aimed at abilities to cheat, deceive and manipulate as desired competences is practically absent. An exception is a study (Gunia and Levine 2016) where student participants observed how players behaved in a simple deception game (Erat and Gneezy 2012). One player, "a sender", tells the second player, "a receiver", which of the two presented choices s/he needs to select to gain a reward. However, the interests of these players are competing. The sender is informed that one choice means that s/he will be rewarded, and the receiver will not be rewarded. The other choice means they both get a smaller reward. Only the sender has the information about which of the options rewards both. The receiver knows the sender can deceive him/her and chooses whether to trust him/her or not. Studies show that the senders often deceive receivers (suggest an option unfavorable for the receivers), and the receivers often believe them (Cain et al. 2005; Erat and Gneezy 2012). After the participants of the experiment observed a player who either deceived another or not, they were asked to determine how much he or she fits into different professions. The cheaters were disproportionately preferred over honest players in professions in sales and investment banking. Honest players were preferred in the roles of accountants or managers in the nonprofit sector. Moreover, the knowledge itself, i.e., that the player is playing against other players in a position where cheating can be expected, led to more cheating and fewer qualms about it. Cheating was a sign of competence. Regardless of whether less honest individuals are selected into "dishonest" professions or not, the described dynamics result in a spread of dishonest behavior. Another example is a study (Mironov 2015) that showed that firms led by people with lower moral integrity prosper more in a corrupt environment.

On top of that, "[academic] cheating is highest among students majoring in more vocationally oriented majors such as business and engineering" (McCabe 1997, p. 444; also see Carpenter et al. 2004) and business students have higher levels of affective, antisocial, interpersonal and total psychopathic traits than other students (Litten et al. 2018). These tendencies are most likely to have an impact on their professional lives. For example, Egan et al. (2019) document the prevalence of misconduct among US financial advisers: 7% of advisers have a misconduct record and approximately a third of these dishonest advisers deceive their clients with a probability five times higher than their colleagues would. Although approximately half of the financial companies fire dishonest advisers, 44% of them find a job in another financial firm within a year. There is a penalty of sorts—they usually work for a less

prestigious firm than before and achieve lower rewards—but they remain in the market. Lawyers are another example of a profession in which the art of deception can be systematically rewarded. "[We] are trained to rationalize. In law school, one is asked to argue that one case is similar to or different from another. One is expected to be able to argue every side of any issue. We are trained to draw lines from any point A to any point B…. Rationalizing dishonesty takes practice. It gets easier over time" (Lerman 2002, p. 912). As Jeffrey Pfeffer points out: "…numerous behaviors suggest that it seemingly doesn't matter what an individual or a company does, to human beings or the environment, as long as they are sufficiently rich and successful. Money, indeed, trumps all" (Pfeffer 2016, p. 663).

Also, the literature on self-serving justifications assumes that people motivationally rationalize, excuse or forget their own dishonest behavior to attenuate the threats to their moral selves when they act unethically (Ayal et al. 2015; Shalvi et al. 2015). Nevertheless, they may not necessarily have a desire to do so. In many situations, cheating, lying and doing deliberate harm to others can provide an authentic positive emotion even in individuals not suffering from a psychopathic or sociopathic personality disorder (Ruedy et al. 2013). It may not be an accident that bullies have the most favorable scores on mental health measures and hold the highest social rank in the school environment (Koh and Wong 2017). In the case of deception and cheating regarding one's qualities or performance, dishonest people can gain elevated confidence and become objectively more successful (Chance et al. 2011).

In summary, deception and convincing lying and cheating may be viewed as desirable traits or as signals of competence by some leaders, not as a character flaw. Selection will then lead to the involved fields being full of dishonest employees (Houdek 2017a). It is necessary to study in which culture, situation or group such selection occurs, and why norms, or a company culture enabling this selection, arise. Measures to increase honesty must then be aimed at changing the factors that enabled such a culture. Similarly, if dishonesty is used as a psycho-hygienic habit by some employees, it is necessary to find in which situation it occurs, and how to select employees not exhibiting this kind of behavior, or how to limit or treat its occurrence.

## Dishonesty as an Acceptable Cost for Other Desired Traits of an Employee

The ability to rationalize dishonest behavior may be one of the most essential psychological mechanisms enabling the persistence or occurrence of dishonesty. If people can convincingly explain (to themselves) why their behavior is not problematic, amoral behavior can spread (Mazar et al. 2008). One study linked the ability to rationalize with creativity (Gino and Ariely 2012). Both creativity and dishonesty could be manifestations of similar mental ability (or willingness) to break the rules, be they conventional ways of thinking in problem-solving, or social norms. Francesca Gino and Dan Ariely experimentally showed that more creative people are generally more willing to cheat. Priming for creativity also increased the willingness to

cheat. The relationship between creativity and dishonesty seems to be mediated by the ability to rationalize—to creatively bend and modify rules.

Thus, organizations may need to reach a compromise between higher creativity and innovation in their employees, and lower respect for social norms. Grieser et al. (2016) attempted to confirm that there really is a relationship between higher creativity and dishonesty at the organizational level. They used a data leak from Ashley-Madison.com, a dating website aimed at extramarital affairs. The assumption was that the ethical values of an organization are in the end the average of the values of its employees (whether companies shape some moral values in employees or attract their bearers). If using the cheating dating service is widespread among employees, it can be deduced that the organizational culture is characterized by, or tolerates, lower moral integrity with regard to keeping a promise toward one's life partner, which can correlate with other kinds of unethical behavior. Grieser and colleagues confirmed that higher participation of employees in the dating site correlates with investigating the company for discrepancies in accountancy or fraud, and with financial analysts suspecting these firms of corruption. In accordance with the theory of creativity-dishonesty homology, they also showed that "dishonest" firms could be characterized by higher innovation as measured by the intensity and effectiveness of research and development in the form of the number and diversity of patents and their usage. "Dishonest" firms are also less risk-averse, measured by higher debt, bond volatility, and a higher probability of bankruptcy. There can, of course, be several mechanisms explaining this correlation: informal cultures (without formalized processes, hierarchy, bureaucracy) may attract creative individuals and at the same time enable the prevalence of dishonest behavior by the absence of rules. Some firms may prioritize creativity in hiring employees (or giving raises) and—not intentionally—neglect moral integrity and other traits, unwittingly giving rise to an unethical culture. More research is necessary to test whether and how the creativity-dishonesty relationship manifests itself in firms, but Grieser and colleagues suggest the unpleasant fact that adhering to strict ethics may hamper an organization's growth (although higher moral integrity generally correlates with a firm's financial health Garrett et al. 2014).

Similarly, studies from the field of impression management (Bolino et al. 2016) have shown that people who are dishonest (i.e. "creative") in a job interview are not necessarily disadvantaged. For example, by using humble bragging (a tactic in which people, when asked to list their weaknesses, steer the answer into bragging and list their strengths instead) job candidates may answer a question about their own perceived negative personality traits by "I am a perfectionist" or "I tend to work too much". Although candidates using humble bragging were perceived as less sympathetic, trustworthy, and honest, the overall perception of suitability for the position was not negatively influenced by that, as they were perceived as more capable, intelligent and flexible at the same time (Vranka et al. 2017).

Research on the "dark triad" personality also suggests some level of a trade-off between honesty and the efficient functioning of an organization, e.g., that Machiavellian leaders may be more successful than their counterparts without a personality disorder (Spain et al. 2014). There is some evidence that people who are critical for an organization's function (managers, informal leaders, etc.) are substantially

less honest than regular employees (Palmer and Yenkey 2015). In academia, using deceptive self-downloads on the Social Science Research Network, Benjamin Edelman and Ian Larkin found that "longer-tenured and more successful [social scientists] face a greater loss of self-esteem from negative social comparisons, and they are more likely to engage in deception" (2015, p. 78). People are readily willing to increase dishonest behavior for prestige (Pascual-Ezama et al. 2013).

Naturally, there are many complex compromises between personal integrity and characteristics deemed desirable by an organization (at the moment). Armin Falk and Nora Szech show that in science, there is a particular desire for signaling skillfulness and intelligence, and this tendency obscures scientists' thinking about the ethical impact of their actions. Perhaps the most striking example illustrating the tension between pleasures of skill and moral conflict considers the development of the atomic bomb "… [only] after the dropping of the plutonium bomb on Nagasaki, which was deemed unjustified by many of the scientists, numerous members of the Manhattan Project started worrying about [the] moral implications" (2016, p. 2). Falk and Szech also experimentally demonstrated that the participants of their study were willing to sacrifice the life of a mouse just to signal their intelligence. Dealing with the ethical impacts of one's work does not help one's career outlook in an environment where only intelligence and innovativeness are rewarded.

On the other hand, a utilitarian, effective solution may demand sacrifices for the greater good. Though there may be an agreement that a utilitarian solution is adequate, the character of the person who selects it is considered less moral. In a study scenario (Uhlmann et al. 2013), participants were asked to evaluate the decision of a hospital administrator as to whether to spend money on a surgery that would save one child, or invest in medical equipment that may eventually save over 500 lives. Despite the decision to invest in the equipment, the administrator was considered a bad person because he made that choice (though he was regarded as a capable leader).

There can be many conflicts between a company's goals and ethical rules. For example, there is extensive evidence in economics showing that the politically well-connected management of an organization or a firm correlates with higher viability (Fisman 2001; Goldman et al. 2009). Politically connected firms acquire bank loans under more advantageous conditions (Claessens et al. 2008) and they also have a higher chance of being bailed out of bankruptcy by the government (Faccio et al. 2006). These companies are also less frequently sanctioned (or less severely so) by regulatory bodies (Correia 2014), and have access to secret information of intelligence agencies (Dube et al. 2011). The politically connected firms have all the advantages, while the quality of their accountancy and record-keeping is much worse (Chaney et al. 2011). Although management and organizational research involves the specifics of the management and organization of state firms (Bloom et al. 2012), there is a lack of research direction exploring how the (un)ethical culture of a politically-connected organization forms, or the specifics of the ethics of management of such companies.

This section shows that even though an organization may prefer ethical behavior, dishonesty can be favored or excused under certain conditions or in certain employees (Melnikoff and Bailey 2018). Simple and universalistic behavioralist

interventions may have a positive effect in these conditions when they nudge people toward honesty or override their ethical blind spots (Sezer et al. 2015). Despite the skepticism expressed here with regard to their effectiveness, there is a need for field studies to show whether ethical behavior can be supported by measures such as "practicing narratives to plan ahead, and write out, how to respond to issues (role play exercises…) in order to narrow the intention-action gap" (Bowman 2018, p. 8) or "provide moral reminders in different sections of [a form or a document]. Some cues can specify the victims and [the] damage caused by [dishonesty or deception]" (Ayal et al. 2015, p. 740).

## Dishonesty and Cheating as Moral or Prosocial Activities (or so at Least as Seen by the Decision-Maker)

According to the moral foundations theory (Graham et al. 2011), there are at least five basic moral preferences that cannot be simply ordered—individuals, groups or cultures assign different priorities to them. People facing organizational ethical dilemmas may not only care about justice (as the opposite of dishonesty and cheating), but also about loyalty to a group, respect for authority, sanctity or purity (not degradation), and especially care for others (Wiltermuth et al. 2015). Although behavioral ethics stems from the theory of moral foundations (Moore and Gino 2015), few empirical studies test how employees solve contradictions between different moral foundations.

An instance of the conflict between moral preferences is deception that is used to protect others from harm or even to benefit them (white lies). Examples include lying to avoid undermining a colleague by criticizing him in front of others, praising poor artwork done by a child, or complimenting a partner for a failed meal. Levine and Schweitzer (2014) showed that people who lie to help others (especially at their own expense) are viewed as more moral than people telling the truth and benefiting from it. A lie is typically regarded negatively only when it is self-serving and benefiting the liar.

If the lie and deception serve to help others (moreover, if they are costly to the liar/cheater), they become moral virtues in the eyes of many. In this way, one may "buy" social status by cheating. Similarly, studies showed experimentally that people are willing to cheat if it can benefit a disadvantaged party (Gino and Pierce 2009, 2010).

In summary, prosocial lies and deception may increase one's moral credit and bond the group (Iñiguez et al. 2014), while an antisocial truth may have the opposite effect. On the other hand, prosocial lies may also weaken the liar's moral credit and actually harm the people helped by the lie in the long term. Although a prosocial liar may be considered empathetic, one may be viewed as insufficiently courageous to solve the complex problem, unwilling or incapable of making the necessary decisions, or dishonest (Tyler et al. 2006; Uhlmann et al. 2013; Wiltermuth et al. 2015). Furthermore, the deceived people do not get realistic feedback about their decisions or performance and may continue working inefficiently.

Analogically, although reporting cheating and dishonesty should be an obvious moral imperative in an organization, empirical data do not unequivocally support this intuition. Several organizational characteristics lead to the protection of people who behave unethically, or even disperse dishonesty. First, if an individual may gain advantages from the unethical behavior of colleagues, it can be expected that the individual will then consider the relevant immoral behavior as a less serious violation of norms. Bocian and Wojciszke (2014) experimentally proved that people judged the unethical behavior of another individual serving the observers' interest as more ethical than the actual ethical behavior, which produced deserved harm to the observers. Secondly, belonging and loyalty to one's group (firm, team) could be viewed as a superior value over some forms of unethical behavior. Research on in-group versus out-group behavior shows that within a group, dishonesty is often rationalized so that it is not viewed as morally problematic (Anand et al. 2004). Finally, strong within-group cooperation or collaborative tasks could be essential conditions to engage and succeed in unethical behavior (Weisel and Shalvi 2015). Dishonesty thus increases the team's cohesiveness.

In organizational environments, it may not be crystal clear what the "honest" choices are anymore; however, a betrayal of the organization is perceived as a breach of norms. Whistleblowers are considered traitors of the group, disloyal colleagues who cannot be trusted, and their career outlooks are substantially negatively influenced. As Alexander Dyck and colleagues show in an analysis of large corporate fraud in the US: "… employee whistleblowers face significant costs… In 82% of cases with named employees, the individual alleges that they were fired, quit under duress, or had significantly altered responsibilities as a result of bringing the fraud to light. Many of the individuals are quoted as saying, 'If I had to do it over again, I wouldn't'" (Dyck et al. 2010, p. 2216). At the same time, whistleblowers are the primary source of accusations of dishonest and illegal corporate practice (Diederik Stapel's scientific frauds were also revealed by whistleblowers [Stroebe et al. 2012]). They are responsible for uncovering the same number of cases as auditors of the firms and financial market regulators (e.g., the US Securities and Exchange Commission) together, however, activities of these institutions are on the rise lately (Dyck et al. 2010). One experimental study by Reuben and Stephenson (2013) shows that players who report dishonesty among their co-players are not popular with other team members. This factor alone is behind the dynamics leading to the establishment of groups where it is normal to cheat without being threatened by revelation.

Situational interventions created for behavioral ethics research studies generally do not realistically reflect the actual conflicts between moral foundations that arise in the real world environment. Most experimental evidence is based on fairly clear moral dilemmas, where amoral and moral (or neutral) actions are straightforward (within a given moral foundation), and the capacity of a particular intervention to influence morality is easily quantified and may seem effective in such settings. In real organizational environments, however, the decision-maker does not face such straightforward dilemmas.

## Ineffective or Harmful Ethics Systems

A substantial risk associated with situational interventions recommended by behavioral ethics research is that, due to the reasons described above, they may not work in many organizational situations and may meet the fate of many strictly formal ethics systems. These window-dressed systems are ineffective against dishonesty, because they do not change an unethical corporate culture, do not inspire managers and employees to achieve higher moral goals, and/or no one really expects them to work or be enforced (or they are primarily used by executives to exercise power and control) (Kaptein 2011). As Betsy Stevens summarizes the evidence of ineffective ethical systems: "[the] existence of ethical codes did not affect attitudes [of employees] …. [Therefore,] ethics programs might simply be decorative artifacts to deflect criticism of corporate ethics" (2008, p. 603). Organizations could implement ethical interventions that are perceived only as hypocritical public relations strategies, and the organizational culture may actually degrade the authentic ethical interests of the employees and the stakeholders. After all, Enron also had its ethics code (Weaver et al. 1999). Moreover, reminding people of norms that are obviously not respected may lead to more intense norm violation (Cialdini 2003).

In effective ethical systems "[m]anagers must model the desired behavior and employees need to see that sanctions occur if codes are violated. Communication is a requirement for codes to be successful" (Stevens 2008, p. 607). In contrast, organizations with window-dressed ethics systems could end up punishing people who respect the accepted moral norms. An example, albeit anecdotal, is the case of a New York University professor who caught and punished a fifth of his class for plagiarism (Bhasin 2011; Grandoni 2011). He indicated that the positive atmosphere of the lectures had vanished and teaching became insufferable for him because a detrimental atmosphere of "teacher vs. students" had set in. Because his rewards stemmed from his rating by students (which was negative after this incident), he was in the end, punished financially for his ethical stance and diligence in checking the students' work. Colleagues did not publicly support him either (Bhasin 2011; Grandoni 2011). Although punishing plagiarism should be the university's ethical imperative (and students should not expect otherwise), the university's real ethical culture, despite all ethics codes and moral reminders, led to the exact opposite. As the teacher concluded: "Will I pursue cheating cases in the future? Never, ever again!" (Bhasin 2011).

There is rarely a clear and simple solution to ethical dilemmas in organizations. The actual punishment of dishonesty may lead to its decrease (or punishment avoidance), however it can have many negative consequences not only for those punished. Sanctions or ethics systems may grow to a point where they no longer pay off because the resources needed to maintain them radically outgrow the resources they protect (Dreber et al. 2008). Eventually, the company's own ethics system may inflict injustice (Healy and Iles 2002), or antisocial punishment may proliferate (Kuběna et al. 2014). Punishing some wrongdoing, or implementing a system to make sure norms are not violated, may destroy a positive social

dynamic since these measures may be viewed as manifestations of mistrust in employees (Frey 1993). Predominantly situational measures of behavioral ethics are not able to solve these complex ethical dilemmas in organizations (Houdek 2017b, 2019); on the contrary, they might be viewed as attempts on the part of the organization's leadership to manipulate employees.

## Conclusion

Behavioral ethics provides an increasingly detailed insight into the working of the moral mind, and this insight is also frequently used in recommendations aiming to support ethical behavior in the organizational sphere. Although this development can be met with optimism, it is necessary to point out that on the organizational level, there are macro-level forces significantly altering the extent of dishonest behavior, which may limit the effectiveness of these recommendations based on individual psychology. Field studies that longitudinally test recommendations founded on research in behavioral ethics are basically absent. Furthermore, influences such as the company culture, which may consider dishonesty as a desirable trait of managers, have not yet been sufficiently explored. This limits understanding of the causes of large corporate fraud, and how to fight it effectively.

Future research should focus more on whether and how recruitment of people based on their ability for solving ethical or unethical tasks influences how an organization solves moral dilemmas. In organizations, managers can select subordinates, and employees can choose co-workers in teams. It might, therefore, be the case that unethical (or morally flexible) individuals might seek each other (and vice versa) and ethical as well as unethical groups may form. Based on such research, more relevant interventions against the dishonesty dynamic can be suggested.

Studies should more realistically reflect the real-world organizational environment, that is, studies should acknowledge and include a wide range of more moral aspects of decision-making, specific forms of company culture, the different influence and power of various employees or managers (Dimmock et al. 2018), or the possibility of communication among individuals. For instance, a study by Martin Kocher and colleagues provides experimental evidence that communication in a group can have a detrimental effect on ethical behavior: "it is the exchange of justifications that enables group members to coordinate on dishonest actions and change their beliefs about moral behavior… [Moreover] communication shifts group members' beliefs about the prevailing honesty norm in a reference experiment, suggesting that group members indeed established a new norm regarding (dis-)honesty" (Kocher et al. 2017, pp. 11–12).

It can be expected that similar interdisciplinary research, reflecting organizational traits and testing psychologically inspired individual honesty-supporting measures within them, will bring forth real interventions increasing the ethical standards of organizations.

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