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## Bringing ethics into focus: How regulatory focus and risk preferences influence (Un)ethical behavior

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### ABSTRACT

In four laboratory studies, we find that regulatory focus induced by situational cues (such as the framing of an unrelated task) or primed influences people's likelihood to cross ethical boundaries. A promotion focus leads individuals to be more likely to act unethically than a prevention focus (Studies 1, 2, and 3). These higher levels of dishonesty are explained by the influence of a person's induced regulatory focus on his or her behavior toward risk. A promotion focus leads to risk-seeking behaviors, while a prevention focus leads to risk avoidance (Study 3). Through higher levels of dishonesty, promotion focus also results in higher levels of virtuous behavior (Studies 2 and 3), thus providing evidence for compensatory ethics. Our results also demonstrate that the framing of ethics (e.g., through an organization's ethics code) influences individuals' ethical behavior and does so differently depending on an individual's induced regulatory focus (Study 4).

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### Introduction

From Enron to the recent world-wide financial crisis, corporate scandals and other instances of unethical behavior within organizations are becoming common topics covered by the media. These examples of ethical failures add to cases of employee misconduct, such as theft of office supplies, fraudulent expense reports or injury claims, and falsified overtime, which are costing US companies an estimated fifty billion dollars annually (see Mishra & Prasad, 2006; Weber, Kurke, & Pentico, 2003). In the wake of such widespread unethical conduct, many organizations have attempted to instill ethical values in their employees through ethics training or formal policy documents such as ethics codes (Weaver, Treviño, & Cochran, 1999a; Weaver, Treviño, & Cochran, 1999b). But these efforts vary in the degree to which they align with a company's general approach to its business.

Most companies encourage managers and employees to focus on promoting positive economic outcomes (e.g., Baetz, 1998). For instance, leaders may stress the importance of reaching specific financial goals within a given amount of time, or they may administer bonuses to employees who exceed their sales targets. By contrast, ethics initiatives tend to be packaged primarily as a set of constraints, compliance schemes, and violations to be prevented (Paine, 1994; Treviño, Weaver, Gibson, and Toffler, 2001). For

instance, the codes of conduct of many modern companies include statement such as “employees must avoid conflicts of interests” or “employees may not improperly use any company assets.” Does this subtle difference in the framing of ethics versus business objectives influence employee behavior?

The current research addresses this question by examining whether the framing of ethics within organizations influences individuals' likelihood to behave dishonestly. As a first step in our investigation, we examine whether the framing of ethics influences individuals' ethical behavior and their preferences toward risk. We distinguish between two ways to frame ethical conduct: promotion of being ethical (i.e., the promotion of a positive and desirable state) and prevention of being unethical (the prevention of a negative or undesirable state). We build on psychological research on regulatory focus (Higgins, 1997), which suggests that people focus more heavily either on the promotion of positive outcomes or on the prevention of negative outcomes when attaining goals (Higgins, 1996; Higgins, Roney, Crowe, & Hymes, 1994). While subtle, these two ways of framing ethical conduct may produce significant differences in people's likelihood to behave dishonestly—with important consequences for organizations. Our interest in this paper is not the study of people's disposition toward prevention or promotion focus. Instead, we are interested in examining the influence of an individual's regulatory focus when induced or primed by situational factors such as how the task has been framed.

This research contributes to a broader program of study concerning the psychology of unethical behavior (e.g., Messick,

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1995; Messick, 1996; Messick & Bazerman, 1996; Messick & Tenbrunsel, 1996; Tenbrunsel & Messick, 1996). Similar to prior research in this domain, we focus on how subtle changes in the environment influence the ethical behavior of individual actors by inducing a prevention or a promotion focus in individuals. Several models of unethical behavior (e.g., Hegarty & Sims, 1978; Treviño, 1986; Treviño & Youngblood, 1990) suggest that misconduct is influenced by a person-situation interaction. Specifically, the tendency of people to engage in unethical behavior depends on both characteristics of the environment and characteristics of the individual. For instance, prior work has shown that both personal characteristics (e.g., stage of moral development or concern for self-presentation) and contextual factors (such as the use of codes of ethics) influence ethical behavior (Weaver et al., 1999a, 1999b). In this vein, we study how an individual's regulatory focus (when induced by subtle situational forces, such as the framing of the task) interacts with an organization's framing of ethics (e.g., through an ethics code). Furthermore, we examine whether additive effects may occur when the two factors are consistent with one another (e.g., both the employee and the organization are focused on promoting positive outcomes or on preventing negative ones). Thus, our studies are designed to complement and extend existing knowledge about the conditions under which even good people are likely to cross ethical boundaries and the conditions under which they are likely to hew more closely to moral standards.

## Theoretical background

### *The psychology of regulatory focus*

Regulatory focus theory (Higgins, 1996; Higgins, 1997) distinguishes between two strategies for goal attainment: promotion focus or prevention focus. Promotion concerns revolve around attainment; they are represented as pursuing hopes and aspirations that ensure advancement and are experienced as the achievement of positive outcomes (i.e., gains; Higgins, 1997). Because of this positive outcome focus, the strategic inclination of people with a promotion focus is to approach a goal in a state of eagerness (see Crowe & Higgins, 1997; Higgins et al., 1994). In contrast, prevention concerns revolve around maintenance; they are represented as upholding responsibilities and obligations that are necessary to ensure security and are experienced as ensuring protection from negative outcomes (i.e., non-losses; Higgins, 1997). Because of this negative outcome focus, the strategic inclination of people with a prevention focus is avoidance in a state of vigilance. Previous research has shown that these different strategic motivations are independent from performance expectancies (see Shah & Higgins, 1997; Shah, Higgins, & Friedman, 1998) and can be induced temporarily by momentary situations (Brockner & Higgins, 2001; Crowe & Higgins, 1997; Liberman, Idson, Camacho, & Higgins, 1999).

We contend that an individual's regulatory focus influences that person's ethical behavior in a given moment. A person's regulatory focus may indeed highlight the potential benefits and costs of acting dishonestly. Together with the amount to be gained from cheating and the expected punishment, the risk of being caught cheating is a central input in rational crime theory (Allingham & Sandmo, 1972; Becker, 1968). According to this framework, the individual engages in a cost-benefit calculation that leads to an ultimate decision about dishonesty (support for this perspective is evident in work by Hill and Kochendorfer (1969), Steininger, Johnson, and Kirts (1964), Tittle and Rowe (1973), and Vitro and Schoer (1972)). Thus, depending on the perceived risk of being caught, individuals may make different decisions about acting ethically.

Previous studies have demonstrated that regulatory focus affects risky decision-making (Higgins, 2002), risky information

processing style (Förster, Higgins, & Bianco, 2003), and outcome categorization under conditions of uncertainty (Molden & Higgins, 2004). For instance, Grant and Higgins (2003) have shown that promotion focus is related to being eager, risky, and oriented towards attaining gains as positive outcomes, whereas prevention focus is related to being careful, cautious, and oriented toward avoiding losses as negative outcomes. Furthermore, Crowe and Higgins (1997) have found that acting from a promotion focus induces an exploratory risk-seeking behavior, whereas acting from a prevention focus produces a conservative risk-avoidance behavior (Higgins, 2002).

Given the influence of regulatory focus on risk tendencies, we hypothesize that regulatory focus will also affect an individual's likelihood to behave dishonestly. We focus on situations in which cues in the environment, such as the framing of the task or of the incentive scheme, induce either a promotion or a prevention focus in individuals. We refer to such situations by using the label "induced regulatory focus." Across our studies, we focus on situations in which acting dishonestly serves an advancement function – i.e., participants gain money from cheating by misreporting task performance. In such situations, we expect individuals with a promotion focus to be more likely to behave dishonestly compared to individuals with a prevention focus (Hypothesis 1). We also expect individuals toward risk to mediate the effect of an individual's induced regulatory focus on his or her unethical behavior. Specifically, people with a promotion focus will be more risk seeking compared to people with a prevention focus, and such risk-seeking behavior will explain the higher levels of dishonesty for people with a promotion focus (Hypothesis 2).

### *Compensatory ethics*

We also predict that an individual's induced regulatory focus will influence the tendency of that individual to engage in "compensatory ethics" (see Zhong, Ku, Lount, & Murnighan, 2010). Early studies on moral psychology and ethical decision making mainly focused on individuals' moral reasoning and reactions to isolated events. By contrast, recent studies have highlighted the importance of a global sense of morality (e.g., Zhong, Liljenquist, & Cain, 2009; Zhong et al., 2010). These theories suggest that our moral behaviors result from an implicit calculation of self-perception, in which moral self-image is boosted by good behaviors and dampened by bad ones (Mazar & Zhong, 2010). People desire to have a positive moral self-image and see themselves as ethical (Aquino & Reed, 2002; Tenbrunsel, 1998), but struggle to maintain this positive self-image when facing ethical or social dilemmas involving conflicts of interest. As a result, whenever their moral self-image is threatened, people are likely to behave ethically.

Consistent with these theories of compensatory ethics, we expect that a previous unethical act (which we hypothesized to be more likely for people with a promotion focus than for people with a prevention focus) will motivate a subsequent ethical action. Prior research provides some support for this claim. For instance, Carlsmith and Gross (1969) noted that compliance with requests for help increases after moral values have been violated, even when such compliance in no way rectifies the previous damage. Similarly, Wallington (1973) found that people who violate moral rules actively inflict punishment upon themselves in other domains. Furthermore, moral cleansing theory (Tetlock, Kristel, Elson, Green, & Lerner, 2000) also provides evidence for moral-compensatory motivation. This theory suggests that when individuals violate their own values, they are likely to engage in moral cleansing that reaffirms core values and loyalties (for empirical support of this theory, see Zhong & Liljenquist, 2006).

Thus, if induced promotion focus does in fact lead to higher levels of individual dishonesty compared to a prevention focus, as we

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