



Goal setting and Cheating: Why They Often Go Together in the Workplace

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From childhood on, individuals are told that setting goals for themselves will make them more diligent, more focused and generally more successful in whatever they set out to do – whether it’s win tennis games, ace their exams or become CEO of their company.

But goal-setting also has a dark side to it, according to a recent research paper by a Wharton faculty member and two colleagues. In addition to motivating constructive behavior, goal setting – especially when it involves rewards – can motivate unethical behavior when people fall short of the goals they set or that are set for them. The relationship between goal setting and unethical behavior is particularly strong when people fall just short of reaching the goal.

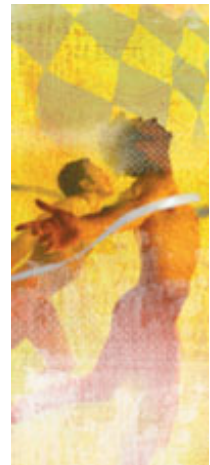
Consider recent business scandals. Executives have been caught cooking the books to meet the quarterly goals that Wall Street analysts expect. Salesmen report phony sales, or exaggerate them, manufacturers ship unfinished products and service centers perform unnecessary repairs – often in order to meet internal or external sales targets. In the education area, college administrators have been known to exclude students with low scores on standardized tests in order to hit target pass rates.

In “Goal Setting as a Motivator of Unethical Behavior,” [Maurice Schweitzer](#), professor of operations and information management at Wharton, and colleagues Lisa Ordonez from the University of Arizona and Bambi Douma from the University of Montana, argue that while goal setting – a common managerial tool – can be used beneficially in organizations, it can also encourage people to misrepresent the success they have had in meeting certain targets. The paper appeared in June in the *Academy of Management Journal*.

The authors cite earlier scholarly research showing that “goal attainment is associated with psychological rewards, including positive self-evaluations and higher self-satisfaction.” The authors suggest, however, that people also “incur psychological costs from admitting goal failure” and that “psychological factors can motivate unethical actions after people fall short of goals. In particular,” the authors note, “we expect people with unmet goals to be more likely to misrepresent their performances than people without specific goals.”

What this suggests, the authors says, is that individuals who have goals – and fail to meet them – are more likely to act unethically than people who are simply “trying to do their best,” without the motivation of a specific goal.

When Schweitzer first began to read some of the more than 400 scholarly studies on goal setting, he was surprised to see that almost all talked about goal setting’s benefits – a reflection of the fact that “goal



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setting is one of the most important things managers can do to motivate employees,” he notes. “And companies that use goal setting do see results in terms of performance.” The problem comes, he suggests when people miss their goals, especially when they miss them by a small margin.

“People cheat,” Schweitzer says. Why? “Because they are motivated to hit the goal, and when they come very close to meeting it but don’t, it is very tempting to fudge the numbers.” In addition, individuals can easily justify their decision to cheat by telling themselves that they deserve to meet the goal, and also deserve the reward that comes with doing so.

And how often does Schweitzer think this happens? “Within the business community, I think it’s epidemic,” he says, noting that it happens particularly frequently in consulting and law firms where employees are supposed to bill a certain number of hours per year in order to continue working and/or to get a bonus. “If you fall just short in those hours, the temptation is to say, ‘Well, I was in some training sessions and perhaps I should count those hours.’ Or, ‘I should count a little more of time I spent traveling to visit clients since it could have taken me a little longer to get there.’ People will come up with all kinds of justifications for giving themselves the extra hours.” It’s a problem especially in organizations where “reporting your hours is an individual decision, where the exact numbers are difficult to measure and where no one is checking up on you,” Schweitzer adds.

In testing their hypothesis, the authors set up an elaborate experiment that would clarify the link between goals and unethical behavior. They began by giving 70 individuals one minute to create words using seven jumbled letters listed at the top of a page (e.g. EASCKIY). The results from this test were used to identify a difficult performance goal. The authors then recruited 154 undergraduate participants – average age 20 – to do the same word creation task as the pilot participants. These 154 were divided into three groups. Some were told to “do your best to create as many words as possible;” a second group had a ‘mere goal’ to create nine or more words for each round but was not offered any reward for doing so. A third group was assigned a ‘reward goal’ condition, in which participants were given the goal of creating nine words for each round and told that they would earn \$2 for each round in which the goal was met. Participants were paid in advance, and told to return unearned money (to ensure anonymity).

Participants were asked to create words and check their own work, and they were also assured of anonymity. i.e. they could cheat and no one could link their behavior back to them. The researchers did, however, have a mechanism which allowed them to measure unethical behavior by coding the congruence between participants’ actual productivity and the claims they made about their productivity (although they could not link cheating to individual participants).

“We were interested in the relationship between goal failure and unethical behavior,” Schweitzer says. As a result he and his colleagues focused their attention on cases in which participants claimed to reach the goal of nine words, when they had actually created fewer than that number.

Among their findings:

- People with unmet goals were more likely to overstate the performance than people in the do-your-best condition.

- Although the authors hypothesized that people with unmet ‘reward goals’ would be more likely to overstate performance than people with unmet ‘mere goals,’ this did not turn out to be the case. There was no significant difference between the two. Schweitzer suggests, however, that while mere goals “alone will motivate unethical behavior, reward goals will give it an extra kick.”
- People who failed to reach their goals by a small margin were more likely to falsely claim to have reached their goals than people who failed to reach their goals by a large margin.

Like other scholars, the authors write, “[we] assumed that people balance the costs and benefits of engaging in unethical behavior. We conceptualized these costs and benefits to include both psychological costs (such as negative self-perceptions) and psychological benefits (such as the psychological reward of claiming goal achievement.) It is consistent with this conceptualization that we found that participants with mere goals, who obtained no monetary or social rewards for reaching goals, were more likely to overstate their productivity than were participants attempting to do their best. This pattern of findings suggests that goal setting alone, without economic incentives, increases the value people derive from overstating productivity.

“Our results also suggest that deception itself can facilitate self-justification,” the authors note. “In our study, people were far more likely to represent their performance (in a way that justified taking unearned money) *and* take unearned money than they were to simply take unearned money.” This result suggests that deception itself can facilitate self-justification.

The authors point out that in situations where an individual’s productivity is more “transparent” than in a consulting or law firm, and where “people are held accountable for specific outcomes ... goal setting may not significantly increase unethical behavior.”

In addition, “domains with low transparency and asymmetric information, such as negotiation and sales, represent a particular challenge.” They cite the case of Sears, Roebuck & Co. which in the early 1990s established ambitious goals for its automotive service departments. California state regulators found that these departments “had performed unnecessary repairs 90% of the time,” a finding that led then-chairman Edward Brennan to state that the company’s “goal setting process for service advisers created an environment where mistakes did occur.”

Schweitzer does not advocate the discontinuation of goal-setting, especially when it has a clearly established role in directing and motivating employees. But he does warn against “steep reward systems that have a big discontinuity. If you tell your salesmen that if they sell 30 cars over a set period they will get a trip to Hawaii, you should also have something that is pretty good for the person who sells 29. You don’t want a massive reward that makes a very discrete jump at the goal line.

Also, he says, managers should be “vigilant in establishing an ethical climate, because that matters a great deal. If you are running a consulting company, you are likely to create problems when you set goals for billing a large number of hours, convey the impression that billable hours are the key to earning rewards (e.g. promotions, bonuses) and rarely check on your employees’ self-reported hours. In this type of environment, you are creating a breeding ground for unethical

behavior.”

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