

# Lying to Level the Playing Field: Why People May Dishonestly Help or Hurt Others to Create Equity

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**ABSTRACT.** Unethical and dishonest behavior has increasingly attracted the attention of scholars from various disciplines. Recent work has begun to focus on a previous overlooked factor predicting dishonest behavior: the beneficiary or victim of dishonest acts. In two laboratory experiments, we manipulate the level of resources allocated to our participants (their “wealth”) and investigate whether perceived inequity from wealth that is randomly or subjectively assigned leads individuals to cross ethical boundaries through helping or hurting others. The results show that dishonest behavior is influenced by positive and negative inequity that motivates helping and hurting acts. Furthermore, a third experiment shows that people tend to discount the wrongness of crossing ethical boundaries to hurt or help others when the action restores equity.

**KEY WORDS:** unethical behavior, judgment, ethics, equity, self-interest

## Introduction

Stories of corporate collapses, accounting scandals and unethical conduct by employees and executives alike, have been common topics in the news of recent years. To help explain the widespread evidence of unethical practices in today’s organizations, scholars have examined many drivers of dishonest behavior (Treviño et al., 2006). Research has identified various predictors of individual unethical behavior, including moral reasoning and ethical orientations (e.g., Beauchamp and Bowie, 2004; Kohlberg 1981; Rest, 1986; Reynolds, 2006a, b), organizational structure and climate (Cullen et al., 1993; Schminke et al., 2005; Weber, 1995), and goal-setting policies (Schweitzer et al., 2004). This body of work has mainly focused on cases of

wrongdoing in which employees (or individuals more generally) behaved dishonestly by acting in their own self-interest – that is, in which they benefited materially or financially from crossing ethical boundaries.

Yet dishonest behavior is not necessarily driven by direct monetary gains to the self. Individuals often act unethically in order to hurt or help others, even when they receive no immediate or even long-term personal financial benefits. Examples of dishonest helping include auditors passively or actively helping clients misrepresent their finances (Dies and Giroux, 1992; Mautz and Sharaf, 1961), insurance administrators or doctors approving uncovered expenses (Ma and Maguire, 1997) or misrepresenting patient health (Snyder, 2010), inspectors fraudulently helping vehicle owners pass emissions testing (Pierce and Snyder, 2008), or professors giving unearned grades to low-income students (Schevitz, 2001). Examples of dishonest hurting include sabotaging a teammate even when the entire team will suffer as a result, or rejecting the idea of a colleague to avoid seeing him looking good in front of his boss.

In this article, we investigate one factor that motivates people to dishonestly help or harm others – perceived inequity. Scholars have built on Adams’ (1965) equity theory by demonstrating that people evaluate the fairness of their situation in a given setting by comparing the ratio of their own inputs and outcomes with the ratio of inputs and outcomes of a referent other, such as a co-worker or a peer (e.g., Huseman et al., 1987). When people perceive inequity in these ratios, they tend to experience emotional distress and, consequently, to take actions to relieve this distress by modifying their inputs and outcomes, changing their referent other, distorting

their perception, or quitting the task (Homans, 1974). More recently, Gino and Pierce (2009) have proposed that the emotional distress people experience from financial inequity can motivate dishonest behavior that helps or hurts others. In two laboratory studies, the authors used an initial lottery to allocate resources among participants; thus, they used a random allocation to create wealth-based inequities among participants.

We build on this research in two ways. First, while Gino and Pierce (2009) examined the impact of inequity resulting from a random allocation of resources, here we investigate whether inequity perceptions and their consequent unethical hurting and helping still exist when unequal wealth allocations are initially determined by a subjective performance evaluation. This question is important since organizations commonly create resource allocation discrepancies across employees based on perceived performance or ability. Employees are differentially paid, promoted, or supported within the firm based on management's view of performance or value to the company, and most workers, given their overconfidence in their own abilities (Zenger, 1992), tend to find this allocation unfair or inequitable.

Second, we investigate how dishonesty under conditions of perceived inequity alters ethical judgments regarding dishonest helping and hurting. While prior study has demonstrated that inequity induces emotional distress that in turn motivates dishonest helping and hurting, does it also influence ethical judgments about these behaviors? Addressing this question, we examine whether people discount the wrongness of crossing ethical boundaries when the action restores equity between their counterpart and themselves or a third party. Identifying alternative mechanisms explaining the relationship between perceptions of inequity and dishonest helping and hurting behaviors is important because it may provide additional insights into ways in which such behaviors can be reduced. Furthermore, it may help explain how individuals justify dishonest behavior long after emotional responses to inequity have passed.

In two laboratory studies, we demonstrate that allocations of wealth among individuals can lead to perceptions of financial inequity that motivate dishonest helping and hurting. More importantly,

we show that this effect holds both when wealth inequality is randomly assigned and when it is based on subjective performance evaluation. Finally, a third study demonstrates that individuals tend to judge the morality and wrongness of their own actions differently if they took those actions to restore equity. Specifically, we find that dishonest behavior that establishes equity or fairness is considered less morally wrong than dishonest helping and hurting behaviors in the absence of inequity. This suggests that while emotional responses to inequity play a role in driving dishonest helping and hurting, individuals also judge these actions differently in their ethicality depending on whether they establish equity.

In our studies, dishonesty occurs through over- or under-reporting of another person's performance, i.e., through lying. While scholars have grappled with definitions of unethical behavior (Kish-Gephart et al., 2010; Lewicki and Robinson, 1998; Robinson, Lewicki, and Donahue, 2000; Tenbrunsel and Smith-Crowe, 2008; Treviño et al., 2006), we use the intuitively compelling definition offered by Jones (1991, p. 367): "An unethical decision is a decision that is either illegal or morally unacceptable to the larger community." Based on this definition, examples of unethical behaviors include violations of ethical norms or standards (whether legal or not), stealing, cheating, and other forms of dishonesty. Here, we examine the degree to which participants are either comfortable with or actually engage in dishonest behaviors that help or hurt others. Throughout the article, we use the words "dishonest," "unethical," "wrong", and "immoral" interchangeably.

### **Creating equity by dishonestly helping or hurting others**

Recent studies (Gino and Pierce, 2009) identifies two mechanisms as particularly important in predicting the conditions under which individuals behave dishonestly to help or hurt others. The first mechanism is rooted in financial self-interest: Individuals may dishonestly help or hurt others when they have a direct incentive to do so (e.g., a monetary reward). Research in psychology and organizational behavior has found that when compensation

is linked to others' performance, individuals are motivated to misrepresent that performance to achieve higher rewards for themselves (see, for instance, Lewicki, 1983; Tenbrunsel, 1998; Van Lange, 1999). This work is consistent with traditional agency theory models in economics, in which individual actors make rational, self-interested decisions to deceive based on incentive structures (Lazear, 1989; Prendergast, 1999). Such incentives may be based on short-term gains, or may involve longer-term payoffs from reciprocity and relationship-building (Duggan and Levitt, 2002; Fehr and Gächter, 2000).

The second mechanism is provided by equity concerns. Recent evidence by Gino and Pierce (2009) suggests that while financial incentives may partially motivate dishonest helping and hurting, they can be overwhelmed by people's desire for equitable outcomes. Their study shows that people are willing to forego monetary rewards or even pay money in order to assure equitable outcomes, even when restoring equity involves lying. Similarly, in a field study using data from the vehicle emissions testing market, Gino and Pierce (2010) found that a significant number of inspectors illegally help customers by passing vehicles that would otherwise fail emission tests, and that much of this helping behavior is driven by the vehicle-type of the customer. These findings were complemented with laboratory studies to argue that much of this dishonest behavior is likely motivated by perceptions of equity or positive inequity with customers of lower-income levels in contrast to perceptions of negative inequity with customers of higher-income levels.

Taken together, this research suggests that equity concerns may be an important driver of dishonest helping and hurting behaviors. Although Gino and Pierce's (2009) studies provide the first empirical test to date showing the role of equity concerns as a driver of dishonest behavior, they are consistent with a broad body of work demonstrating the importance of equity and fairness across various contexts in the organizational behavior and decision-making literatures. This research has found that an individual's perception of outcomes as unfair can translate into weak performance (Greenberg, 1988), increased absenteeism, increased turnover, and lower organizational commitment (Schwarz et al., 1992). In sum, perceptions of inequity, even when not

rationally justified, have important consequences on individuals' motivation and behavior.

In this article, we focus on this second mechanism, equity concerns. We first study the type of resource allocations that may lead to perceptions of inequity, and then investigate the potential psychological mechanisms explaining the link between equity concerns and dishonest behavior that helps or hurts others.

#### *Inducing perceptions of inequity*

Perceptions of inequity can result from random allocations of resources, such as the use of a lottery or random draw. Although the procedure is fair, people may still consider the outcomes as unfair or inequitable. While resource allocation in life can often be random (or perceived as random), in organizations, such allocations are commonly based on management's perception of employees' ability or performance on previous tasks, many of which are subjectively evaluated by managers. In such contexts, people may still find outcomes to be inequitable or unfair, even when the people deserving those outcomes actually worked hard to obtain them and the procedure used to allocate those outcomes was fair. The perception of inequity is ultimately a subjective one, based both in objective fairness and the information and biases of the individual. People may be envious of others obtaining resources they do not share, or question the accuracy of the evaluation that managers conducted. In both cases, we would expect perceptions of inequity to result from subjectively assigned resources, as in the case of allocations decided based on the level of performance on a given task. Such perceptions of inequity, in turn, will lead to dishonest helping and hurting.

#### *Judgments of dishonesty that restore equity*

How can we explain such a relationship between equity concerns and dishonest behaviors that help or hurt others? Gino and Pierce (2009, 2010) argued and demonstrated that distress caused by perceived inequity can produce different emotional reactions that, in turn, can lead individuals to dishonestly help or hurt others. For instance, they found that negative

inequity produces feelings of envy toward a referent other, which in turn motivates the individual to hurt the referent other through deceit. In contrast, positive inequity generates guilt, which in turn motivates the individual to dishonestly help her referent other. Finally, when the individual perceives inequity between someone for whom she feels empathy and a third party, she may suffer emotional distress, even though the inequity does not directly affect her. Such empathy allows her to understand and share the referent other's inequity distress almost as if she herself personally suffers the inequity, and may motivate her to dishonestly act to alleviate that inequity.

Although Gino and Pierce (2009) find empirical support linking emotional reactions to inequity and dishonest helping and hurting, the presence of equity concerns may also lead to dishonest behavior by changing people's perception of the ethicality of their actions. Recent research has proposed a social intuitionist model to understand moral judgments (Haidt, 2001). According to this model, moral judgments are similar to esthetic judgments: people see an action or hear a story and they have an instant feeling of approval or disapproval. These feelings appear suddenly and effortlessly in consciousness, with an affective valence (good or bad), and can be considered similar to affect-based intuitions (Greene and Haidt, 2002). For example, people have innate feelings about reciprocity, loyalty, purity, or suffering. Such intuitions are shaped by natural selection as well as cultural forces (Greene and Haidt, 2002).

We propose that judgments about the ethicality of dishonest helping or hurting behaviors are examples of this type of affect-based intuitions. People are motivated to maintain relationships and defend against threatening ideas (Chen et al., 1996; Tetlock et al., 2000), and they can also very easily construct post hoc reasons to justify their actions and judgments (Gazzaniga, 1985; Nisbett and Wilson, 1977). Individuals can more easily justify their behavior when their actions are aimed at restoring equity. This argument is based on the idea that "people are likely to arrive to conclusions that they want to arrive at, but their ability to do so is constrained by their ability to construct seemingly reasonable justifications for these conclusions" (Kunda, 1990, p. 480), and that people's ethicality is rather elastic (Hsee, 1995, 1996). For instance, Schweitzer and

Hsee (2002) asked people interested in selling a car to provide a potential buyer with a mileage estimate from a range of possible values. Sellers lied more when the provided range was wide rather than narrow, as they could justify the lie by their uncertainty about the true mileage. When their actions can be framed as equity-restoring, we expect people to feel they are more justified to act. As a result, we expect them to judge actions that restore equity as morally appropriate and ethical even when they involve lying or stealing.

#### *Overview of the present research*

We conducted three laboratory experiments to investigate how perceptions of inequity from both random and performance-based wealth allocations influence individuals' likelihood to illicitly help and hurt others, and how people judge the wrongness of their own dishonest behavior when it results from the desire to restore equity. Our first study provides further evidence for the findings from Gino and Pierce (2009) using a random allocation of wealth, but unlike these previous studies, does so in the absence of financial incentives to either help or hurt another person. Our second study builds on this research by considering a different allocation of resources, namely a subjectively assigned allocation to mirror common organizational practices surrounding resource allocation. While wealth differences perceived to be exogenous and random, as in Gino and Pierce (2009), are certainly common (e.g., wealth from parents, inheritance, genetics, accidents), they are less common in organizations than differences from perceived performance or ability. Our second study examines whether wealth inequity from subjective performance generates perceptions of inequity that motivates dishonest helping and hurting.

The first two studies share the same design and task to measure dishonest helping and hurting, where participants were randomly assigned to one of two roles: solver or grader. Each solver was then randomly assigned to a grader. At the beginning of the study, participants in both roles were made either "wealthy" or "poor" through a lottery in which they had a 50% probability of winning \$20 (Experiment 1) or a performance-based allocation of

resources in which they either earned \$20 or nothing (Experiment 2). This initial allocation of resources, together with the random pairing of solvers and graders, created four pair types: wealthy grader and wealthy solver ( $C^{WW}$ ), poor grader and poor solver ( $C^{PP}$ ), wealthy grader and poor solver ( $C^{WP}$ ), and poor grader and wealthy solver ( $C^{PW}$ ).

After the initial allocation of resources, solvers were asked to solve anagram tasks over multiple rounds. Graders were then asked to grade solvers' work and had the opportunity to dishonestly help or hurt solvers by misreporting their performance. If a grader overstated a solver's performance, then the solver earned undeserved money. If the grader understated the solver's performance, then the solver did not earn deserved money. In both studies, graders were paid a fixed fee, such that their compensation was independent of reported solver performance. Thus, financial self-interest plays no role in grader behavior in our studies.

Finally, our third study examines the ethical judgment that individuals make regarding dishonesty that helps or hurts others. This third study uses a scenario-based experiment to test the hypothesis that wrongdoing that helps or hurts others is judged less harshly when it occurs in an attempt to restore equity, and proposes an alternative or potentially complementary explanation to the emotional response found in prior studies. This study examines if people justify dishonesty when it hurts those with more resources or helps those with less.

### Experiment 1: Allocation of resources through a lottery

The first experiment employed a 2 (solver: wealthy vs. poor)  $\times$  2 (grader: wealthy vs. poor) between-subjects design. The four conditions differed based on the wealth of the solver and the grader within the same pair, as determined by the initial lottery. The study consisted of two tasks: the lottery and the anagram task. During the lottery, participants earned either \$20 or nothing based on the outcome of computer-simulated coin flips visible to all participants. For the anagram task, each solver earned \$2 in each of four rounds in which they reached the goal of creating ten valid words (in addition to a \$2 show-up fee). The goal

was based on the results of a pilot study conducted with a non-overlapping population ( $N = 40$ ). In Experiment 1, each grader received a flat rate of \$5 for grading (which included a \$2 show-up fee). Comparison of the four conditions allows us to test the influence of the identified mechanisms for dishonesty that helps or hurts others.

### Overview of predictions

Earlier, we distinguished between two main mechanisms: financial self-interest and equity concern. In discussing the latter mechanism, we further identified two micro-explanations for the relationship between equity concerns and dishonest helping and hurting behaviors. The first one is about people's emotional reactions to equity and inequity; the second one is about people's judgment of the ethicality of dishonest behaviors that help or hurt others when such behaviors restore equity versus not. In what follows, we discuss the predictions resulting from each of these three mechanisms.

#### Mechanism #1: Incentives

Since graders' compensation was independent of their own behavior, graders had no financial incentive to behave dishonestly in any condition. A purely financial self-interest explanation would therefore predict equal levels of dishonesty in all conditions.

#### Mechanism #2: Emotional reactions to equity and inequity

By contrast, the emotional reactions to equity and inequity mechanism predicts dishonest hurting will occur in the negative inequity condition, when the grader is expected to experience envy ( $C^{PW}$ ) toward the solver, but not in any other conditions. Thus, dishonest reporting by *hurting* is expected to be:  $C^{PW} > C^{WP} \approx C^{WW} \approx C^{PP}$ . By contrast, dishonest helping is expected to be present when the grader experiences guilt ( $C^{WP}$ ) or empathy toward the solver ( $C^{PP}$ ). Finally, equity is expected to produce happiness and no emotional distress in the grader; thus, no dishonesty is expected in  $C^{WW}$ . In sum, dishonest reporting by *helping* is expected to be:  $C^{PP} \approx C^{WP} > C^{WW} \approx C^{PW}$ .



*Mechanism #3: Ethical judgments of actions that restore equity*

Finally, the ethical judgment mechanism predicts that hurting and helping behaviors will likely occur when people perceive inequity between their allocated resources and the resources allocated to others. Thus, this mechanism produces the same type of predictions for both dishonest helping and hurting as the mechanism based on emotional reactions to equity and inequity.

In short, as long as the initial allocation of resources is perceived by participants as inequitable, both mechanisms 2 and 3 predict the presence of both dishonest hurting and helping behavior.

## *Method*

### *Participants*

One hundred and sixty eight individuals participated in the study (57% male,  $M_{\text{age}} = 23$ ,  $SD = 3.77$ ). Most participants were students from local universities in the Midwestern United States (86%). Participants were randomly assigned to the role of solvers or graders and were made either wealthy or poor through an initial lottery.

### *Design and procedure*

The study was conducted in a large classroom. Before beginning the study, the experimenter placed the following material on the tables where participants would work (one participant per table): a consent form, a pen, a copy of the general instructions, a colored transparent plastic lanyard with a clear plastic pouch, as well as Scrabble<sup>®</sup> dictionaries at the graders' tables. As participants entered the room, they randomly received an index card with an ID number on it. Graders and solvers sat at opposite sides of the room, and each group had different colored lanyards. The experimenter asked participants to wear their lanyards around their necks for the duration of the experiment. Participants were told they would receive money during the study and would need to place the money in their lanyard pouches.

As the experimenter explained to participants, the study included three stages. All participants first played in a lottery. Depending on the outcome of a visible virtual (and fair) coin toss, participants received either \$20 (wealthy condition) or \$0 (poor

condition). Lottery winners were asked to put the \$20 in their lanyard pouch, such that the money was visible to others for the rest of the experiment.

In the second stage of the study, the solvers completed an anagram task while the graders completed a filler task. In the anagram task, solvers were asked to create words from different series of seven letters over four rounds and under time pressure (60 s per round). They recorded the words they created in each round in their workbooks.

After the anagram task finished, participants entered the third stage of the study. The solvers were randomly assigned to graders, who they were told would grade their anagram task. As the experimenter announced the random pairings, each solver walked to the grader with whom he or she was paired and left the lanyard and workbook on the grader's desk. The graders thus fully observed the wealth condition of their referent solver. The experimenter handed the graders an envelope containing eight one-dollar bills and told them how to grade the solvers' work. Each grader then graded his or her solver's answer sheet by indicating whether the solver reached the given goal in each round.

Graders then placed solvers' workbooks in a common "recycling box" and paid their referent solver based on anagram task performance by placing money from the envelope in the solver's lanyard. While the graders were grading, the solvers returned to their own tables and completed a filler task. Graders recorded their own ID number as well as the ID number of their solver on the answer sheet. Given that solvers reported their ID number on their workbooks, we were able to match each solver's workbook with his or her answer sheet once the study was finished. We used this procedure to assure participants would feel completely anonymous and would not fear being caught for their actions. In the graders' eyes, the experimenter could not determine whether they misreported their solver's performance, nor could she link their actions to their identity.

After graders finished grading, the experimenter collected the answer sheets and solvers' lanyards and handed receipts to the graders so that they could record their payment for participating in the study. Graders were told to leave the envelope with any remaining money on their table. A second experimenter returned the lanyard to the corresponding solver upon completion of their filler task, together

with a receipt. As they completed their respective final tasks (e.g., signing receipts), participants returned the signed receipt to the experimenter and left with their earned money.

### Results and discussion

Graders in the study had the opportunity to lie in favor of the solvers (by over-stating their solver's performance) or against the solvers (by understating performance). We identified dishonest behavior by comparing graders' claims of solvers' productivity with solvers' actual productivity. These comparisons produced three separate dishonesty measurements. First, we identified over-reporting *levels* as reported performance minus actual performance, where  $-4$  represented extreme hurting and  $4$  extreme helping. Second, we identified the *type* of grader behavior as a trichotomous variable where  $-1$ ,  $0$ , and  $1$  represented hurting, honest, and helping behavior, respectively. For these two measures, we used non-parametric Mann–Whitney tests (and its more general extension, the Kruskal–Wallis test) to compare

ordinal ranks across groups, since the discrete nature of the non-normally distributed data made traditional ANOVA analyses inappropriate. Finally, we compared counts of dichotomous helping and hurting dummy variables across groups by using the non-parametric Fisher's exact test. While chi-squared analysis is often regarded as inappropriate for many small-sample count comparisons (Fisher, 1922), we include these tests as well.

Figure 1 depicts the percentage of graders engaging in helping, hurting, and honest reporting by condition. Graders' behavior significantly differed across the four conditions both in terms of types of behavior (Kruskal–Wallis,  $\chi^2(3) = 30.83, p < 0.001$ ) and over-reporting levels (Kruskal–Wallis,  $\chi^2(3) = 33.64, p < 0.001$ ). These major differences across conditions strongly suggest that financial self-interest does not solely explain dishonest behavior. Overall, helping behavior was more prevalent than hurting behavior. This is partly due to the fact that the number of times solvers reached their goal was much lower than the number of times they did not (25 vs. 75%), thus providing more opportunities for the grader to help than to hurt.

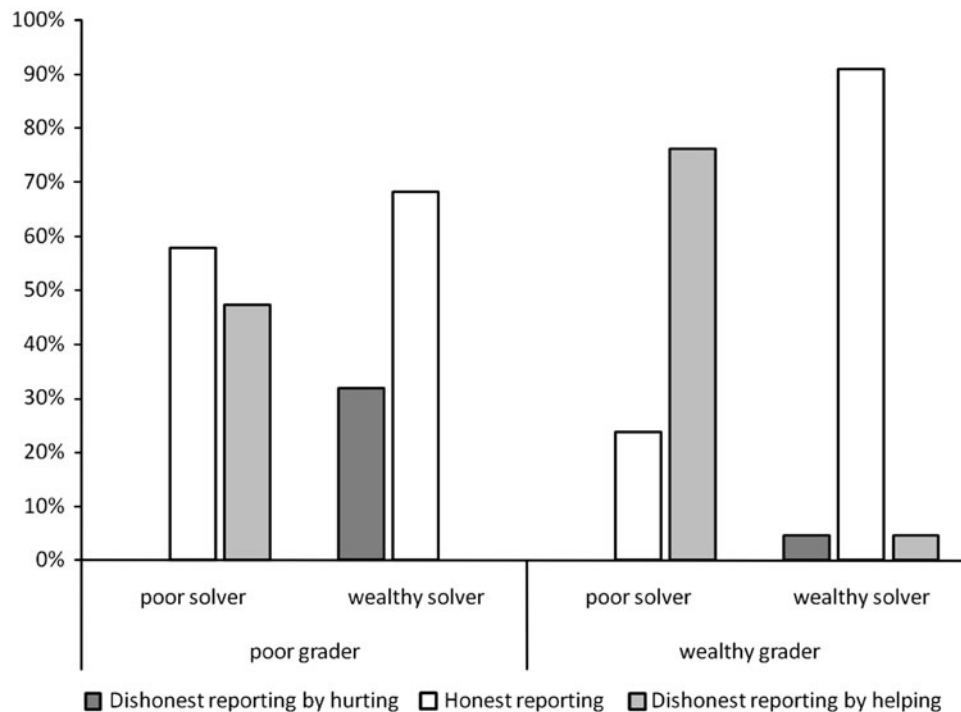


Figure 1. Percentage of overstatements, understatements, and honest reporting by condition, Experiment 1.

TABLE I  
Dishonest behavior by hurting and helping, Experiment 1

	Negative inequity ( $C^{PW}$ )		Positive inequity ( $C^{WP}$ )		Empathetic inequity ( $C^{PP}$ )
Prediction tested	$C^{PW} > C^{PP}$	$C^{PW} > C^{WW}$	$C^{WP} \approx C^{PP}$	$C^{WP} > C^{WW}$	$C^{PP} > C^{WW}$
Behavior type (ordinal)	$z = -3.86,$ $p < 0.001$	$z = -2.46,$ $p < 0.05$	$z = 2.17,$ $p < 0.05$	$z = 4.74,$ $p < 0.001$	$z = 2.94,$ $p < 0.01$
Over-reporting level (trichotomous)	$z = -3.86,$ $p < 0.001$	$z = -2.46,$ $p < 0.05$	$z = 3.21,$ $p < 0.01$	$z = 4.74,$ $p < 0.001$	$z = 2.94,$ $p < 0.01$
Helping (dummy)			FE = 0.051	FE = 0.000	FE = 0.006
Hurting (dummy)	FE = 0.036	FE = 0.006			

Further analyses, presented in Table I, show that direct inequity and equity concerns predicted helping and hurting behavior. Positive inequity ( $C^{WP}$ ) produced more favorable behavior toward solvers ( $C^{WP} > C^{PP}$ ,  $C^{WP} > C^{WW}$ ), both in type and level of behavior. Positive inequity also produced more frequent helping behavior. By contrast, negative inequity reduced helping and increases hurting: nearly all of the hurting behavior observed came in the negative inequity condition ( $C^{PW}$ ), where graders hurt solvers 32% of the time (hurting behavior is found to be:  $C^{PW} > C^{WP} \approx C^{WW} \approx C^{PP}$ ). Negative inequity ( $C^{PW}$ ) produced less favorable behavior toward solvers ( $C^{PW} < C^{PP}$ ,  $C^{PW} < C^{WW}$ ), both in type and level of behavior.

Finally, we observed that inequity motivated helping behavior even when that inequity did not involve the helper. Poor graders paired with poor solvers enjoyed perfect equity with their referent other and were unable to take any action to increase negative inequity between themselves and any rich solvers they might observe in the room. However, they were able to reduce the negative inequity between their paired solver and wealthy solvers and graders in the room. By helping their solver, graders in this condition could reduce the emotional distress they shared with the poor solver.

Overall, these results are consistent with prior research by Gino and Pierce (2009) and suggest that inequity motivates both dishonest helping and hurting behaviors. Even in the absence of incentives to cheat, graders were influenced by equity concerns in their decisions to over-report and under-report solver performance. Negative inequity increased

hurting behavior and decreased helping behavior, and positive inequity increased helping behavior. Furthermore, graders in conditions of equity modified their behavior to account for inequity between their referent solver and other participants. Would the same pattern of results be observed in the case of a performance-based allocation of resources? We address this question in our second study.

## Experiment 2: Allocation of resources through a performance-BASED task

Our first study demonstrates that people are willing to lie about others' performance to level the playing field. In Experiment 1, the allocation of resources occurred through a lottery and thus was random. In organizations, however, allocations of resources often occur based on performance on previous projects or tasks. We suggest that even under such circumstances, individuals may consider an allocation to be inequitable, and thus show behaviors consistent with those observed in our first study. We designed a second study to test this possibility.

Experiment 2 employed the same 2 (solver: wealthy vs. poor)  $\times$  2 (grader: wealthy vs. poor) between-subjects design employed in Experiment 1. This time, however, we modified the initial task to determine the wealth of the solver and the grader within the same pair. We used a creative-writing task to determine whether participants would receive \$20 or nothing as their initial allocation. Half of the participants received \$20, and half received \$0 depending on their score on an initial task.



## Method

### Participants

One hundred and seventy two students from a university in the Southeastern United States participated in the study (48% male,  $M_{\text{age}} = 21$ ,  $SD = 1.09$ ). Participants received a \$5 show-up fee and had the opportunity to earn additional money throughout the study.

### Design and procedure

Participants were recruited to participate in a two-part study. The first part of the study was conducted online; the second part was conducted on paper in the lab. In the first part, participants were given 20 min to complete a creative-writing task, previously used by Gollwitzer et al. (1990). The task was made up of a fairy tale that ended at a certain point in the plot:

Once upon a time there was a rather hedonistic tailor who had attended a christening party out of town. Late at night and after a few drinks too many, he was on his way home and got lost in a dark forest. He suddenly found himself standing in front of a huge rock wall with a passage just large enough to permit a person to pass. The tailor.....

Similar to Gollwitzer et al. (1990), we asked participants to continue the fairy tale, giving free rein to their imagination. Participants were told that their essay would be evaluated by two independent judges for creativity. We used previously validated measures (see Fitzgerald and Teasley, 1986; Moslemi, 1975) to evaluate the creativity of each fairy tale. In particular, two independent raters evaluated the uniqueness, idea production, language usage, and originality of each fairy tale on a scale ranging from 1 (= low) to 5 (= high). Cronbach's alpha ranged from 0.80 to 0.86 for the fairy tale, indicating high reliability levels. The inter-rater reliability coefficients were also acceptable, ranging from 0.80 to 0.88. We aggregated the judges' evaluations to create a creativity score for each participant. Then we divided participants into two groups (using a cutoff level of 50%): those with highly creative essays and those with less creative essays. Participants were informed about this criterion to allocate resources. We used this group categorization to determine whether each participant would receive \$20 or \$0 at the beginning of the

laboratory session (i.e., the second part of the study). Within each category, we then randomly assigned participants to one role, either solver or grader.

At the time of the session, which was held 2 days after the first part of the study took place, the experimenter assigned participants to their roles and gave them each a lanyard. Next, the experimenter publicly allocated money to participants depending on whether they received a high creativity score on their essay, without revealing their rank or performance. If they did, participants received \$20; if not, they received \$0. The high performers were asked to put their \$20 in their lanyards, such that the money was visible to others for the rest of the experiment. Next, participants engaged in the anagram task using the same procedure described in Experiment 1.

### Results and discussion

As in Experiment 1, we analyzed the behavior of graders, who were again paid a flat fee of \$5. Figure 2 depicts the percentage of graders engaging in helping, hurting, and honest reporting by condition. Graders' behavior significantly differed across the four conditions both in terms of types of behavior (Kruskal-Wallis,  $\chi^2(3) = 31.89$ ,  $p < 0.001$ ) and over-reporting levels (Kruskal-Wallis,  $\chi^2(3) = 33.43$ ,  $p < 0.001$ ). Consistent with the results of our previous study, these differences across conditions suggest that perceptions of inequity may explain dishonest behavior that hurts or helps others. Such differences would not be predicted by the financial self-interest account.

Further analyses, summarized in Table II, show that inequity and equity concerns predicted helping and hurting behavior. These results are remarkably consistent with those observed in Experiment 1 and provide further support for the main predictions of the equity account. Even when the allocation of resources was determined based on performance on a previous task, participants still perceived the allocation to be inequitable and reacted to it by over- or under-reporting their counterpart's performance on the anagram task in order to restore equity. More specifically, they dishonestly hurt their counterparts when they perceived negative inequity, and they dishonestly helped their counterparts as a result of inequity between their counterpart and a third party.

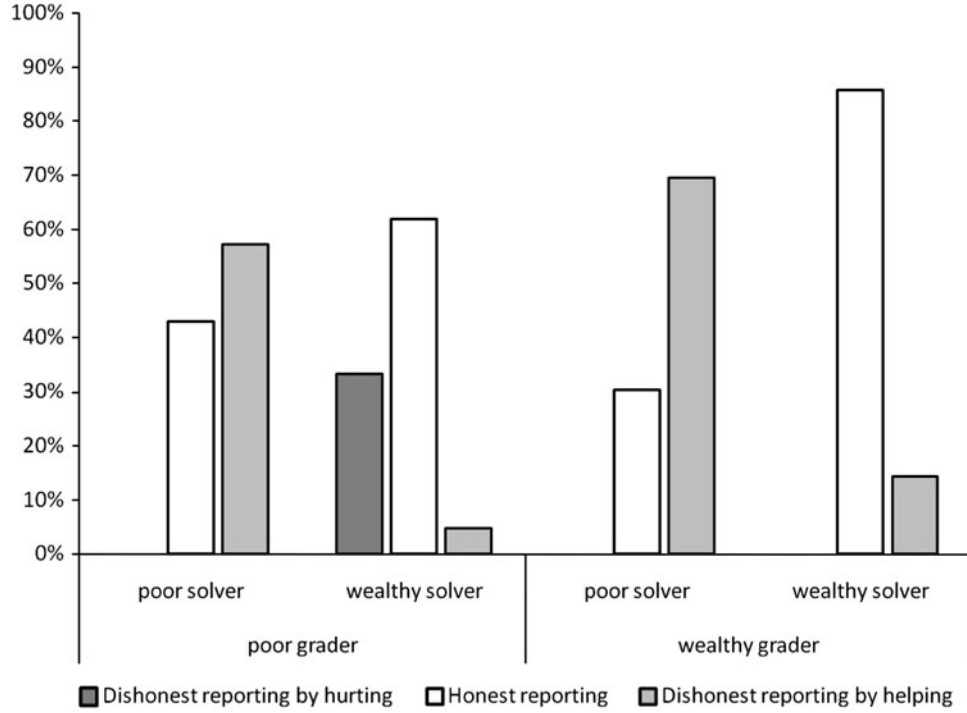


Figure 2. Percentage of overstatements, understatements, and honest reporting by condition, Experiment 2.

TABLE II  
Dishonest behavior by hurting and helping, Experiment 2

	Negative inequity ( $C^{PW}$ )		Positive inequity ( $C^{WP}$ )		Empathetic inequity ( $C^{PP}$ )
Prediction tested	$C^{PW} > C^{PP}$	$C^{PW} > C^{WW}$	$C^{WP} \approx C^{PP}$	$C^{WP} > C^{WW}$	$C^{PP} > C^{WW}$
Behavior type (ordinal)	$z = -4.12$ , $p < 0.001$	$z = -2.77$ , $p < 0.01$	$z = 0.16$ , $p = 0.87$	$z = 3.32$ , $p = 0.001$	$z = 2.77$ , $p < 0.01$
Over-reporting level (trichotomous)	$z = -4.08$ , $p < 0.001$	$z = -2.86$ , $p < 0.01$	$z = 0.85$ , $p = 0.40$	$z = 3.66$ , $p < 0.001$	$z = 2.86$ , $p < 0.01$
Helping (dummy)			FE = 0.533	FE = 0.000	FE = 0.009
Hurting (dummy)	FE = 0.009	FE = 0.009			

Replacing random wealth allocations with subjective performance evaluation does not appear to reduce perceptions of inequity, nor their impact on dishonest helping and hurting behavior.

### Experiment 3: Judging dishonest hurting or helping

Using different methods to initially allocate resources to participants, our first two studies demonstrate that

inequity motivates both dishonest helping and hurting behaviors. The results of both studies are consistent with the predictions made by two psychological mechanisms: emotional reactions to equity and inequity, and ethical judgments of dishonest helping and hurting behaviors. Previous research by Gino and Pierce (2009) found evidence for the emotions-based mechanism. Here, we focus on the role of ethical judgments. How do people judge their own dishonest behavior when such behavior helps or hurts others? We predict that when

TABLE III  
Means and standard deviations for ethical judgments by condition, Experiment 3

	Hurting behavior	Helping behavior
Behavior resulted from perceived inequity	4.93 (1.12)	4.04 (1.06)
Behavior did not result from perceived inequity	6.01 (0.68)	5.12(0.96)

dishonesty occurs in an attempt to restore equity, individuals will discount the wrongness of this dishonest behavior. We tested this prediction in our third study.

### Method

#### Participants

One hundred and twenty six students (43% male,  $M_{\text{age}} = 21$ ,  $SD = 3.16$ ) from a university in the Southeastern United States participated in the study in exchange for \$3.

#### Design and procedure

Participants were recruited to take part in an online survey study. Participants were randomly assigned to one of four conditions in a 2 (level of money: no initial allocation vs. initial allocation of money)  $\times$  2 (dishonest behavior: hurting vs. helping) between-subjects design and asked to imagine playing the role of the grader. Depending on the condition to which they were assigned, participants were asked to read a scenario and then answer a few questions about it. The first factor manipulated whether participants' imagined actions occurred in an anagram study with no initial allocation of money through a lottery (no initial inequity) or in a study that included both the anagram task and the initial allocation of money through the lottery (as it actually occurred in Experiment 1).

The second factor manipulated whether the scenario described dishonestly helping or hurting. If there was no initial lottery in the participant's scenario, they were simply presented with either dishonest helping or hurting behavior. If there was an initial lottery, however, the hurting condition included the poor grader and wealthy solver condition of Experiment 1 while the helping condition included the poor grader and poor solver condition. Participants were asked to imagine as

graders over-reporting performance in two rounds (in the helping conditions) or under-reporting performance in two rounds (in the hurting conditions). We did not specify the level of over- or under-reporting, but mentioned the number of rounds in which they over- or under-reported.

After reading the scenario, participants were asked to separately indicate how wrong, inappropriate, and unethical it would be for them to behave in the way described in the scenario if they were the graders, using seven-point scales ranging from 1 = Not at all, to 7 = Very much. We aggregated the three items into a single measure for ratings of unethicality ( $\alpha = 0.81$ ).

### Results and discussion

Participants rated their imagined behavior as more unethical when it was described as hurting ( $M = 5.39$ ,  $SD = 1.09$ ) than when described as helping ( $M = 4.56$ ,  $SD = 1.14$ ),  $F(1, 122) = 25.39$ ,  $p < 0.001$ ,  $\eta^2 = 0.17$ . Furthermore, participants rated their imagined behavior as less unethical when it resulted from perceived inequity ( $M = 4.50$ ,  $SD = 1.17$ ) than when it did not ( $M = 5.54$ ,  $SD = 0.94$ ),  $F(1, 122) = 37.85$ ,  $p < 0.001$ ,  $\eta^2 = 0.24$ . The interaction between the two manipulations was insignificant ( $F < 1$ ), as indicated by the means reported in Table III. These results suggest that when dishonest helping or dishonest hurting occur as a means of restoring equity, participants judge those behaviors to be less morally problematic than if the behaviors did not result from perceived inequity.

### General discussion

This article examines the role of perceived inequity in driving dishonest helping and dishonest hurting behavior. The results of two experiments confirm

previous findings that people engage in unethical behavior that hurts or helps others to restore equity (Gino and Pierce, 2009, 2010). When experiencing negative inequity individuals tend to increase hurting behavior and reduce helping behavior. And when they experience positive inequity toward another person, they tend to dishonestly help him or her. Yet, extending this prior study, the studies presented here suggest that the link between inequity perceptions and dishonest hurting or helping holds not only when wealth is randomly allocated, but also when it is allocated based on the subjective evaluation of prior performance. This suggests that the subjective performance evaluations so common in organizations may produce perceptions of inequity that might motivate a wide range of anti-social behaviors.

In addition, the results of a third experiment show that people tend to discount the wrongness of dishonest actions when those actions restore equity than when they do not. These findings suggest that inequity or equity concerns may simultaneously or alternatively motivate dishonesty through two mechanisms: emotional distress (as demonstrated by Gino and Pierce, 2009) and altered moral judgments about the dishonest behavior (as demonstrated here), although the relative weights of these mechanisms are left to be measured in future study.

#### *Theoretical and practical implications*

This research extends prior study on ethical decision-making and unethical conduct in the workplace. Previous studies have found that characteristics of the perpetrators (Ford and Richardson, 1994; Loe et al., 2000) as well as organizational and environmental factors (Flannery and May, 2000; Schweitzer and Croson, 1999; Weaver et al., 1999) influence individuals' unethical behavior. While these factors are important variables to consider in the study of dishonesty, we believe that examining the victims and beneficiaries of ethically questionable actions can reveal profound differences. We extend previous research on this topic (Gino and Pierce, 2009, 2010) by demonstrating that perceived inequities may result both when resources are allocated randomly (in situations where a counterpart appears no more or less deserving of resources than the decision maker) and

when they are allocated based on the subjective performance evaluation on a previous task. Our results demonstrate that in both cases, people find reasons to believe that allocations created inequities and react to such inequities by lying to restore equity.

This research has broad implications for both managers and policy-makers. These studies, along with prior study, examine situations where one individual evaluates the performance of another. Such situations are ubiquitous in society, where managers evaluate employees, auditors examine firms and taxpayers, judges and wardens give sentences and parole, and teachers grade students. Such managers and supervisors have considerable discretion to deceptively overstate or understate actual observed performance in order to improve outcomes for those they deem deserving. If so moved, the manager could also understate the other person's performance to hurt them. Across our studies, we found that the effect of inequity on people in such a position of power is strong enough to drive them to both illicitly help and hurt those they evaluate.

Given the potential for equity concerns to motivate dishonest behavior, how might managers and policy-makers regulate such unethical behavior? One potential solution lies in constraining the discretion of the supervisor or managers in situations where inequity and dishonesty might occur. While such managerial discretion is beneficial because it allows the manager to exploit local information and expertise to improve their decision-making, it can also provide opportunity for personal perceptions of inequity to motivate dishonest behavior. Where such opportunities and perceived inequities are greatest, constraining discretion or at least requiring redundancy from multiple (and diverse) supervisors may be prudent.

The second potential solution lies in directly addressing the issue of perceived inequity. Nickerson and Zenger (2008) have argued that inequality in earnings within firms can create envy among workers that reduces effort, increases attrition, and creates the potential for sabotage. As they point out, firms can address this envy by creating more consistent wages and thereby reducing inequality, or by choosing technology that makes individual contributions more apparent. Under more visible contributions, perceptions of inequity may be weakened, thereby reducing counterproductive and unethical behavior. In the context of our studies, these solutions would involve either creating

equal wealth (which we observe reducing dishonesty), or more explicitly justifying differential wealth through more objective or apparent performance or contributions (which we do not observe).

#### *Limitations and future research directions*

The present research must be qualified in light of various limitations, which offer valuable ideas for future research. One limitation is that we focused on a specific type of wealth disparity, due to an initial allocation of resources among individuals. Economic transactions between individuals – whether coworkers, customers, friends, or family members – frequently involve endowment disparities that are independent of the relationship. One individual may be from a wealthy background, while the other may have been born into poverty. Individuals may differ on a number of other dimensions they perceive to be random, including physical appearance, height, health, and life events. Future research could extend the present research by investigating whether sources of endowment disparity other than wealth produce the same pattern of behavior as that observed in our studies.

A second limitation is that we used laboratory research to investigate whether dishonest helping and hurting is driven by perceptions of inequity. Future research could also test for the consequences of perceived inequity in field settings. Using data from the vehicle emissions testing market, Gino and Pierce (2010) investigated whether an employee's perceptions of customer wealth affected their likelihood of engaging in illegal helping or hurting behavior. Their results suggest the presence of wealth-based discrimination in employee–customer relations driven by envy toward wealthy customers and empathy toward those of similar economic status, but they cannot rule out all other explanations. Further studies using field experiments or data from other contexts where perceived inequities between customers and employees (or between employees in the same or across similar jobs) may uncover additional support for the type of hypotheses tested here. Such results may fine-tune our understanding of when and why people dishonestly help or hurt others in an attempt to create equity.

Third, we cannot directly compare the impact of emotional responses to inequity with changes in

ethical judgments due to inequity. Unlike Gino and Pierce (2009), we did not measure emotional responses to the initial allocation of resources after the experiments. It would be valuable in future research to attempt to separate these mechanisms, and examine their relative influence on dishonest hurting and helping.

Finally, future study could further explore the conditions under which helping behavior is most likely to occur. Although in general, our first two studies produced the same pattern of results we found a difference in the amount of helping between the condition in which both grader and solver were poor and the condition in which the grader was wealthy and the solver was poor. Future research could explore whether such difference in results was due to the type of allocation of resources or to other factors.

#### **Conclusion**

Dishonest behavior has a negative impact on individuals' reputation and well-being. It is also costly to organizations and, more broadly, to society. Joining the stream of research examining when and why dishonest behavior occurs, the present research highlights the importance of studying a previously understudied factor, namely, the victim or beneficiary of wrongdoing. Our findings suggest that perceptions of negative inequity are powerful drivers of dishonest behavior that hurts a referent other. But, as our results show, even perceptions of positive inequity can have negative consequences, since they motivate dishonest behavior that helps others. Furthermore, our findings suggest that when dishonest behavior is used as a means to restore equity, individuals discount the immorality of their actions, behaving like modern Robin Hoods. This suggests that rules and ethical norms (such as honesty) can be easily bypassed due to highly subjective perceptions of ethically safe behaviors when such behaviors, while actually dishonest, restore equity.

#### **Acknowledgments**

The authors greatly appreciate the support and facilities of the Center for Behavior Decision Research at Carnegie Mellon University and the Center for Decision



Research at the University of North Carolina at Chapel Hill, where the studies were conducted. This research was supported by a grant from the University Research Council URC at the University of North Carolina at Chapel Hill. Further support was provided by the Center for Ethics and Human Values at Washington University in St. Louis.

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