Goals Gone Wild:
How Aggressive Goal Setting Can Lead to Unethical Behavior

What it is

Business researchers and managers agree: goal setting "works." It increases employee persistence, effort, and performance. But might goal setting work negatively as well? Recent research has begun to recognize that aggressive goal setting can lead to unethical behavior in the workplace for several reasons:

1. Goals act as mental blinders that keep us from evaluating the ethicality of our behavior. Thus, we may be acting in unethical ways without our conscious knowledge (until it is too late).

2. In an effort to achieve a goal (especially with financial incentives and under threats of losing a job), it's easier to justify our bad behavior. Who hasn't heard of situations which managers say, "I don't care how you do it, just meet your numbers!"

3. Before we have met our goals, we are in a negative position relative to the reference point (goal), which is known as a "loss." Once we meet our goal, then we are in a "gain" situation relative to the goal. Research indicates being in a loss situation leads to riskier decisions than when in a gain situation. Given that unethical behavior is risky, we may well be willing to take the risk to meet our goal.

4. Research indicates that ethical behavior requires cognitive resources; when we are tired, we are more likely to behave unethically. When we strive to reach a goal, we increase effort, persistence, and performance, which reduces our cognitive resources. Thus, the core ways in which goals "work" may lead to unethical behavior.

Why it matters

Many believe that if they only hire good, moral people, they can ensure an ethical environment. However, a great deal of research now suggests that context matters more than personal ethical belief systems. While there are people at both ends of the distribution (i.e., pathological liars or unwavering saints), most land somewhere in the middle—we hope to lead a virtuous life, but the situation can impact our choices.

Thus, it is imperative that we take a systems approach to designing organizations that encourage ethical behavior. While goals encourage effort, persistence, and increased performance, they may also help create a toxic environment in which ethical behavior is incongruent with success. For example, the CEO of Wells Fargo, John Strumpf announced in the wake of their customer cheating scandal that "We are eliminating product sales goals because we want to make certain our customers have full confidence that our retail bankers are always focused on the best interests of customers." By removing sales goals, they aim to create an environment in which employees could be rewarded by a higher-purpose: meeting the needs of customer in an ethical manner.

What to do

The following methods can be used to employ goals to motivate employees while balancing their potential negative impact. These work best in combination with a values-based ethics program:

GOALS ARE A COMPASS, NOT A GPS

We want goals to guide our behavior (compass) rather than prescribe the exact time and location of our arrival (GPS). Often goals that are set at the beginning of the year become irrelevant by year-end due to unforeseen factors. Yet, employees continue to work toward meeting those defunct goals due to the belief that they must be met. Allow employees to make course corrections while continuing on a general path.

DON'T PUNISH EMPLOYEES FOR NOT MEETING GOALS

If employees are punished (e.g., demotion or job loss) for missing targets, those and other employees may be more likely to risk acting unethically in order to meet future goals.

MONITOR BOTH THE "WHAT" AND THE "HOW"

Merely rewarding those who meet goals (the what) without regard to the way those goals are achieved (the how) communicates that only "hitting the numbers" matters. Evaluation systems that monitor and incentivize leaders to create supportive work environments will encourage them to think beyond the numbers about how they are meeting their goals.

DON'T "MANAGE BY NUMBERS"

Goal setting is more than just numerical targets. Engage with your employees to better understand what motivates them personally — it's not always about the financial reward. These are just one component of a robust performance management system.

TAP INTO INTRINSIC MOTIVATION

Reduce reliance on goals by appealing to employee's intrinsic motivation to perform. This can be done by highlighting the purpose of the work, making work more enjoyable, and offering opportunities for task improvement and advancement in the organization.

Where to go next

Ordóñez, L. D., Schweitzer, M. E., Galinsky, A. D., & Bazerman, M. H. (2009). Goals gone wild: The systematic side effects of overprescribing goal setting. The Academy of Management Perspectives, 23(1), 6-16.

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