6 WAYS TO KEEP YOUR MANAGERS HONEST

In business, the adage holds true that one bad apple can spoil the bunch. Just one dishonest manager can cost companies hundreds of thousands – if not millions – of dollars in low morale and lost productivity. Unfortunately, history shows that there is more than one bad apple in the business world, and dishonest work behaviors, such as staff abuse, rule bending, and theft cost the economy billions each year. How can organizations combat dishonesty in their management teams?

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WHAT'S THE PROBLEM WITH DISHONEST MANAGERS?

In the working world, dishonesty is enormously costly. The Enron and WorldCom scandals cost the U.S. economy around **$40 billion**, the Financial Crisis Inquiry Commission reported losses resulting from fraudulent mortgage loans total more than $112 billion, and the most recent estimate of the cost to the U.S. economy of the 2008 financial crisis is more than $22 trillion.

Beyond the headlines, daily organizational life includes regular episodes of staff abuse, rule breaking, and betrayal by people in positions of authority (Hogan and Kaiser, 2010). In a Hogan survey of more than 700 individuals, more than 80% of respondents reported they had been lied to, stolen from, cheated, or treated dishonestly by a supervisor or coworker.

In a separate survey, 50% of respondents described their worst boss as manipulative.

Managerial competence directly impacts employee engagement, and according to Gallup's 2013 "State of the Global Workplace" survey, nationwide, only 30% of U.S. employees are engaged, with nearly one in five employees actively disengaged. According to the report, employee engagement impacted customer ratings, profitability, productivity, turnover, safety incidents, absenteeism, and theft, all of which add up to an estimated $300 billion in lost revenue every year. Gallup also reported that poorly managed work groups are on average 50% less productive and 44% less profitable than well-managed groups.

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HOW DO THEY GET TO THE TOP?

How do so many dishonest people end up in management positions? It comes down to a fundamental flaw in how people get promoted in the corporate world. Many organizations rely on performance appraisals and supervisor nominations to identify and promote talented individuals. The problem is, supervisor ratings tend to reflect organizational politics rather than performance, and they tend to reward the kind of characteristics typical of dishonest individuals:

1. **Charisma** – Psychologists recorded 73 first-year college students individually introducing themselves to a group. The study found students with narcissistic tendencies excelled at making initial impressions. They used more charming facial expressions, a more confident speaking tone, were funnier, wore more fashionable clothes, and had trendier haircuts.

2. **Self-absorption** – The second characteristic is an unusual degree of self-absorption, or, more to the point, a relentless drive for self-advancement. These individuals possess a ruthless dedication to self-advancement to the extent that other people lose their value as humans and become objects to be manipulated.

3. **Self-deception** – Ben Dattner, author of ***The Blame Game***, notes that narcissists "lead with the main purpose of receiving personal credit or glory. When things go wrong or they make mistakes, they deny or distort information and rewrite history in order to avoid getting blamed."

4. **Hollow core syndrome** – The underlying dynamic that unifies these themes is a pattern of personality characteristics called the hollow core syndrome. The hollow core refers to people who are overtly self-confident, but who are privately self-doubting and unhappy.

IDENTIFYING DISHONESTY

Of course, the best solution to the problem of dishonest managers is to ferret them out and fire them, or to avoid hiring them in the first place. That's easier said than done. Most people are terrible judges of character, especially in the compressed time frame of a job interview, and, as a recent review **noted**, there is "a logical problem with self-assessments of integrity. People who lack integrity specialize in manipulation and deceit, which makes their self-assessment a dubious source of information."

Unfortunately, the best way to identify dishonest individuals is by the wake of damage they leave in their paths. Peer evaluations, 360-degree feedbacks, careful reference checks, and reputation-based personality assessments are the best way to identify individuals prone to acting dishonestly.

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KEEPING YOUR MANAGERS HONEST

Short of systematically evaluating and wiping dubious individuals from your company's ranks, how can you keep your existing managers honest?

1 **Engage them.** Research shows that job satisfaction accounts for some of the effects of moral personality traits on counterproductive work behavior. Even less ethical individuals will be more likely to act morally if they are engaged at work. By the same token, alienating employees may enhance moral disengagement even in those with higher integrity. Give your managers meaningful tasks, make them feel valued, treat them like adults, and they will be more compelled to exercise organizational citizenship, no matter how principled they are (or aren't).

2 **Lead by example.** Research shows that leaders' morality level determines the degree to which employees perceive the organization as ethical or unethical. For leaders, the implication is clear: if you want your managers to act morally, start by acting morally yourself. As **meta-analytic** studies show, when subordinates trust their supervisors they are happier and more productive at work, so everyone wins.

3 **Pair them with ethical peers.** Although we tend to think of peer pressure as a source of antisocial behavior, peers can also inspire ethical conduct. Teaming your less moral managers with colleagues who have strong integrity will motivate them to behave more ethically. Humans learn via observation and imitation, and much of this learning occurs without awareness. Accordingly, recent **research** suggests that peers play a critical role in determining the moral compass of our workplace.

4 **Invest in moral training.** Most people develop their moral predispositions before they reach adulthood. That said, organizations can influence managers' ethical choices via explicit educational programs. The **Ethics Resource Center** reports that businesses that implement formal programs to support ethical choices, such as whistleblowing, decrease counterproductive behaviors and misconduct rates while increasing employee satisfaction.

5 **Reduce temptation.** As Oscar Wilde once said, "anybody can be good in the countryside – there are no temptations there." **Ethical behavior** is a function of personality and situation. Everybody has a dark side, which is much more likely to surface in a toxic environment; it's hard to change someone's personality, but managers can do a great deal to affect the environment employees inhabit. Managers can help employees who are less capable of exercising self-control by surveilling them a bit more.

6 **Create an altruistic culture.** Although organizational culture isn't created overnight, **meta-analytic reviews** have demonstrated that a caring culture prevents unethical work behaviors, whereas a culture of self-interest promotes them. Clearly, it is not sufficient to include integrity as a core organizational value – for most **companies** it's just the stuff they write on their websites. What matters is persuading employees that the organization truly values generous, selfless behaviors.

THE BOTTOM LINE

Dishonesty among your managers can be enormously costly. However, using proper methods, companies can identify dishonest managers and either eliminate them or work to keep them on the straight and narrow. To learn more, visit us at **www.hoganassessments.com**.

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