

# Chapter 10

## Management Ethics: The Psychology of Positive vs. Destructive Rule Breaking

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### ABSTRACT

*This chapter looks at some of the psychological underpinnings of rule breaking behavior in business -what drives rule breaking behavior and how can it be shaped. The authors contrast the positive and productive rule breaking, with the destructive and unethical rule breaking behavior seen in companies such as Enron. They consider some of the causes of deviant behavior using a social bonding framework and other potential predictors such as lack of self-awareness, lack of future commitment to the organization and lack of supervisory support. Narcissistic leaders are a special case that the authors examine because of their potential influence on either positive or negative rule breaking. Narcissistic leaders can have a positive impact on innovation, or they may elect to engage in unethical rule breaking. The chapter also explores practical prevention strategies and ends with an explanation of some of the major findings of positive psychology.*

### INTRODUCTION

While rule breaking may appear at first to have only a pejorative connotation, we argue that it should not be an automatic assumption and that there is a credible alternative interpretation that should be considered. Sometimes rule breaking is necessary

to facilitate change and correct inequities through non-traditional channels (Morrison, 2006). And sometimes the absence of rule breaking should be viewed negatively - as a sign of authoritarian thinking and intolerance to change.

The challenge is somewhat akin to asking which is more important, flexibility or rigidity, consistency or adaptability? The answer, of course, is both. The implication is that rule breaking may

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be a positive attribute under certain circumstances. Obviously it is misleading to simply label any rule breaking behavior as unethical and inappropriate.

In order to appreciate the utility and potential instrumentality of rule breaking behavior, we must first understand the predictors – or at least the correlates – of such conduct. We first view rule breaking within the context of deviant behavior in order to gain perspective as to the traditional negative interpretation and the supporting research. Then we consider the opposing interpretation of rule breaking behavior and the potential value to the organization – positive rule breaking. We conclude that both positions may have merit and that perhaps a contingency model framework is required in order to make a proper assessment.

We consider the ethics and efficacy of breaking stupid rules, about which we are all too familiar. We look at the intriguing personality trait of productive narcissism and how it might surprise advocates of traditional models of leadership thinking. We also explore “coopetition”, an innovative although counter-intuitive approach to competitive strategy in limited resource environments, as a promising win-win solution (Brandenburger & Nalebuff, 1996).

We start our chapter with a review of our understanding of the traditional basis of deviant behavior.

## **BACKGROUND**

### **Social Learning Theory and the Social Bonding Model**

Rule breaking can be considered as an example of deviant behavior. The basis of criminal and deviant behavior appears to be similar in all age categories and is typically caused by factors other than age (Akers and Lee, 1996; Tittle 1995; Tittle & Ward, 1993). There is an argument that the causes derive from the social psychological variables encompassed within social learning theory (Akers,

1985; 1997; 1998; Akers, Krohn, Lanza-Kaduce, & Radosevich, 1979; Bandura, 1986; Patterson & Dishion, 1985). Social learning suggests that people typically learn from others – especially others who they admire or see as successful. This is, of course, why good role models are so important for managers as they grow and develop in their careers. Although some people are able to maintain an inner standard of right and wrong, most of us are still influenced by those around us as we begin to internalize our reference points for appropriate conduct under given circumstances. Within business organizations, supervisors and managers typically set the formal standard of behavior while co-workers have a significant influence on the de facto standard. Not surprisingly, there are many contingent circumstances that determine the final outcome with respect to the effective propensity for rule breaking.

Learning theory and social bonding are powerful determinants of all behavior and especially group behavior. What may be surprising is that these also may set the reference standard for more individualized deviant behavior and rule breaking. We know that individuals are more likely to engage in risky behavior if they are part of a group (Wallach, Kogan, & Bem, 1962; Fraser, 1971; Dahlbäck, 2003; Tjosvold & Yu, 2007). There is a certain level of anonymity as well as mutual reinforcement that facilitates this conduct. But there also appears to be a carryover of these same behavioral standards to conduct outside the group when individuals determine that it is socially acceptable to engage in inappropriate behavior.

Social bonding flows naturally into social learning and the boundary is somewhat amorphous. Learning theory explains behavior by reference to the ongoing interaction between cognition, behavioral, and the environment. Social learning theory entails elements of attention, sensation, perception and arousal, retention and cognition, physical and motor abilities, and motivation and reinforcement (Bandura, 1973; 1977). It is generally credited to the work of Bandura, which

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