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Article *in* Journal of Applied Psychology · December 2010

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RESEARCH REPORT

Thick as Thieves: The Effects of Ethical Orientation and Psychological Safety on Unethical Team Behavior

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The purpose of this study was to uncover compositional and emergent influences on unethical behavior by teams. Results from 126 teams indicated that the presence of a formalistic orientation within the team was negatively related to collective unethical decisions. Conversely, the presence of a utilitarian orientation within the team was positively related to both unethical decisions and behaviors. Results also indicated that the relationship between utilitarianism and unethical outcomes was moderated by the level of psychological safety within the team, such that teams with high levels of safety were more likely to engage in unethical behaviors. Implications are discussed, as well as potential directions for future research.

Keywords: teams, unethical behavior, decision making, psychological safety

In the wake of numerous high-profile scandals and corporate collapses due to unethical conduct by employees and executives, organizations and scholars have increasingly turned their attention toward understanding the drivers of unethical behavior (see Treviño, Weaver, & Reynolds, 2006). Although researchers have focused their efforts on identifying predictors of individual unethical behavior such as moral reasoning and ethical orientations (e.g., Beauchamp & Bowie, 2004; Kohlberg, 1984; Rest, 1986; Reynolds, 2006), organizational structures and climates (Cullen, Victor, & Bronson, 1993; Schminke, Ambrose, & Neubaum, 2005; Weber, 1995), and rewards and goal setting (e.g., Schweitzer, Ordóñez, & Douma, 2004), the employees responsible for such behavior are often not working alone. Organizational decision makers are embedded in work groups and teams that collectively engage in decision-making processes that require the contribution, or at least the complicity, of the entire team.

In many of the most notable recent scandals such as Enron, Adelphia Communications, and WorldCom, the unethical choices that contributed to their downfall were made and implemented by groups of decision makers, at multiple levels within each organization (Fusaro & Miller, 2002; Kulik, O'Fallon, & Salimath, 2008; Scharff, 2005). As organizations increasingly rely on teams, particularly top management teams, to address complex problems and make critical decisions (e.g., Hambrick & Mason, 1984; Kozlowski & Ilgen, 2006; Simsek, Veiga, Lubatkin, & Dino, 2005), it is essential to understand

the drivers of unethical behavior from a team level of analysis. More specifically, what factors present within the team can determine whether it will act in an ethical manner? Unfortunately, to date, little research has examined collective ethical behavior by teams, and much of the work that has been done has been equivocal and difficult to interpret (Treviño et al., 2006).

Therefore, the primary purpose of this study is to identify and examine determinants of unethical behavior by teams. First, on the basis of ethical theories of teleology and deontology (e.g., Kant, 1785/1959; Mill, 1863), we extend previous research by focusing on team members' ethical orientations, or the "cognitive frameworks individuals rely on when facing moral decisions" (Reynolds & Ceranic, 2007, p. 1611). According to these ethical theories, individuals tend to view the world through one of two ethical frameworks—utilitarianism, which focuses on the individual's assessment of a decision's outcomes and consequences in determining the best course of action, or formalism, which relies on past precedent, societal norms, and rules (Brady, 1985). Research at the individual level has suggested that a utilitarian orientation, rather than a formalistic orientation, may predispose individuals to engage in ethically questionable behavior (e.g., Reynolds, 2006; Reynolds & Ceranic, 2007). In line with research at the individual level, we expect that the level of utilitarianism within a team will positively predict, and the level of formalism negatively predict, the team's decision to engage in unethical behavior when it is not perceived to result in significant harm. We therefore focus on cheating decisions and behaviors, which are often viewed as "harmless" (Jones, 1991; Reynolds, 2006), in order to examine unethical behavior in teams.

Although we expect the effects of member ethical orientation to be isomorphic at the team level, we are most interested in factors that influence how ethical orientations affect collective ethical decision making. Raising the possibility of acting unethically is not without interpersonal risk. Even within a team composed of members who all wish to engage in unethical behavior, team members must be comfortable enough to take the chance of bringing it up as a viable option. Therefore, we argue the strength of the link

This article was published Online First December 13, 2010.

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between utilitarianism and unethical behavior is contingent on the development of psychological safety within the team. Psychological safety is defined as a “shared belief by team members that the team is safe for interpersonal risk-taking” (Edmondson, 1999, p. 354) and represents an emergent state that often drives the behaviors and communications between team members (see Marks, Mathieu, & Zaccaro, 2001).

Finally, in testing our hypotheses, we hope to make a methodological contribution to the ethics literature by examining ethical behavior in teams. Ethics research has relied heavily on individual self-reports reflecting moral perceptions of a situation (e.g., Brady & Wheeler, 1996; Reynolds, 2008) or recollections of past experiences (e.g., McCabe & Treviño, 1993; McCabe, Treviño, & Butterfield, 1996; Reynolds & Ceranic, 2007). Although they provide valuable insights, ethical perceptions and reported behaviors are often colored by moral attentiveness and social desirability (Reynolds, 2008). Further, they remain a step removed from actual ethical dilemmas and lack the immediate risks of real, shared behavioral choices (O’Fallon & Butterfield, 2005; Weber, 1992). Therefore, although we examine the team’s reported decision to behave unethically, we also investigate actual unethical behaviors by the team.

By studying ethical decision making at the team level and identifying both compositional and emergent properties that influence unethical behavior by groups and teams, we hope to contribute in several ways. First, we extend ethical theory by examining the effects of utilitarian and formalist orientations on unethical behavior by teams. Second, we extend research on emergent states in teams by investigating the potential “dark side” of psychological safety, suggesting that it may have the unintended consequence of stimulating unethical behavior in certain teams. Finally, we extend the ethics literature by examining, and contrasting, both the propensity for teams to make unethical decisions and their actual unethical behavior.

Ethical Orientation and Team Behavior

While the term *ethical behavior* covers a wide range of decisions, actions, and choices, Reynolds and Ceranic (2007) defined it as “behavior that is subject to (or judged according to) generally accepted norms of behavior” (p. 1610). Behaviors that run counter to these norms, such as lying, cheating, and stealing, are therefore generally considered unethical or immoral.

In their attempts to understand the nature and causes of unethical behavior, researchers have generally taken two different perspectives. The cognitive approach (e.g., Kohlberg, 1969; Rest, Narvaez, Bebeau, & Thoma, 1999) focuses on moral development, suggesting that individuals first become aware of a moral issue, then make a judgment about the situation, decide how to proceed, and finally act to resolve the issue. Although each step is important, researchers have generally focused on the moral judgment itself (Kohlberg, 1984; Rest, 1986), suggesting that the individual’s level of personal moral development will determine how he or she assesses and ultimately responds to a situation (e.g., Bernardi et al., 2004; Green & Weber, 1997; Greenberg, 2002; Weber, 1990). However, moral judgments, and their resultant decisions, are strongly influenced by features of the environment and aspects of the specific ethical dilemma, making the application

of this approach difficult to generalize across organizations and situations (see Treviño & Weaver, 2003).

As an alternative, researchers recently have turned their attention toward ethical theories that provide broad frameworks for how individuals see the world (Treviño et al., 2006). On the basis of traditional philosophical foundations, ethical orientation theorists posit that individual predispositions provide a lens through which individuals view, assess, and respond to ethical issues (e.g., Brady & Wheeler, 1996; Reynolds, 2006; Reynolds & Ceranic, 2007). In his model of ethical orientations, Brady (1985) outlined the classical framework in which individuals possess varying degrees of two orientations: utilitarianism and formalism. Brady and Wheeler (1996) defined utilitarianism as the “the tendency to assess ethical situations in terms of their consequences” (p. 928), which manifests in ends-based decision making, whereas formalism represents the “tendency to assess ethical situations in terms of their consistent conformity to patterns or rules” (p. 928), which manifests in a preference for means-based decision making. Utilitarianism is related to ideas such as *consequentialism*, *teleology*, and *proportionalism*, whereas formalism is associated with *Kantian ethics*, *deontology*, and *rule ethics* (e.g., Brady, 1985; Pastin, 1986).

Utilitarians are forward looking, focused on taking advantage of opportunities through innovation, whereas formalists are backward looking, focused on tradition, rules, and precedent to guide their actions (Brady, 1985). These perspectives have important implications for ethical decision making, as each concentrates on specific elements of morality (ends and means). Faced with an ethical quandary, formalists tend to abide, and expect others to abide, by a set of consistent ethical principles grounded in culture, tradition, and formal rules of behavior. Utilitarians, however, look at each situation on a case-by-case basis, basing their actions on the potential outcomes and consequences of their decisions (Brady, 1985). Even though they recognize that certain behaviors may violate the ethical standards of others, utilitarians often do not consider a harmless violation of an established social norm to be a moral issue and will therefore tend to select and justify certain types of unethical behaviors because “no one got hurt” or they “didn’t think there was any harm being done” (Granitz & Loewy, 2007).

At the individual level, researchers have found divergent effects of these two orientations in terms of moral awareness (Reynolds, 2006), unethical decision making (Brady & Wheeler, 1996; Reynolds & Ceranic, 2007), and perceptions of injustice (Schminke, Ambrose, & Noel, 1997). A utilitarian weighs the costs versus the benefits of an action and chooses the course with the greatest total utility for the individual and his or her group as a whole. On the other hand, individuals with strong formalistic orientations will tend to abide by rules, laws, and customs and to focus on the morality of the situation instead of on any possible benefits to themselves and others.

Similarly, we argue that a team made up of members high in utilitarianism will base the choice of whether to engage in unethical behavior on the decision’s potential outcomes instead of on societal norms of right and wrong. When faced with a situation in which the members of the team can all benefit from selecting a specific course of action viewed as harmless to others, teams composed of utilitarian members will be more likely to choose the most advantageous option, regardless of whether it violates a social norm. However, for teams composed of members with high

levels of formalistic tendencies, the potential rewards and costs do not factor into their decision when it is a clear matter of violating rules and norms. In such cases, the option to act unethically may not even be seriously considered, and teams will tend to default to the more principled, socially determined choice. Therefore, we hypothesize the following:

Hypothesis 1: Team member utilitarianism will be positively related to the team's propensity to engage in unethical behavior.

Hypothesis 2: Team member formalism will be negatively related to the team's propensity to engage in unethical behavior.

The Role of Psychological Safety

Although we believe that the level of utilitarianism among team members will influence team decision making, a collective unethical decision cannot be made synchronistically. In order for the team to reach and enact an unethical decision, one or more team members must first raise the idea, and others must openly agree. Doing so is risky. Team members who speak up may lose respect and status and risk possible censure and punishment by the rest of the team or by external leaders. The fact that team members can monitor each other's behaviors provides a social barrier to unethical behavior (Treviño & Victor, 1992), and there are often strong social norms against unethical behavior such as cheating in groups (e.g., Beams, Brown, & Killough, 2003; Izraeli, 1988; Jones & Kavanagh, 1996; Zey-Ferrell, Weaver, & Ferrell, 1979). However, if team members feel safeguarded, they may be more likely to overcome such social constraints.

Consider a financial management team that is falling just short of their expected earnings and faces a quarterly financial reporting deadline. Individually, team members realize that they could easily reach their earnings target by recognizing all of the revenue on a recent long-term sale. However, auditors have already ruled that that revenue should be properly booked in future quarters. Even though all the team members are privately willing to post the revenue in the current quarter and report inflated earnings figures to order to protect the company's stock price and the team's image, such an act would require consensus. In order for the team to act on its inclination, one or more members of the team must feel confident enough in their coworkers' responses to risk initially broaching the issue as a legitimate option. If members do not feel safe taking such a risk, fearing the repercussions of exposing themselves as someone willing to violate socially accepted ethical norms, they will remain silent and the team would simply default to reporting the correct revenue figures.

Researchers refer to this type of faith in teammates as psychological safety. Closely related to interpersonal trust, psychological safety has been defined as a sense of confidence that other team members will not "embarrass, reject or punish someone for speaking up" and a "shared belief by team members that the team is safe for interpersonal risk-taking" (Edmondson, 1999, p. 354). It is an emergent state that develops over time and through repeated communications, and in turn influences team member attitudes and behaviors (Ilgen, Hollenbeck, Johnson, & Jundt, 2005). Without safety, members may fear that proposing a controversial new idea

will lead to being attacked, ridiculed, or penalized. In teams lacking safety, members tend to withhold unique information and points of view and do not seek help, admit errors, or bring up concerns (Edmondson, 1999). Psychological safety is therefore associated with the degree of participation of group members and their feelings toward the group.

Behaviorally, psychological safety manifests in open communication, speaking up, and interpersonal risk taking (Baer & Frese, 2003; Gibson & Gibbs, 2006; Walumbwa & Schaubroeck, 2009). Team members who feel safe will admit and discuss errors, contribute their personal ideas and viewpoints, and respectfully consider alternative views expressed by their teammates. For these reasons, psychological safety has been consistently linked to higher levels of team performance, learning, innovation, and successful adaptation to change (e.g., Burke, Stagl, Salas, Pierce, & Kendall, 2006; Edmondson, Bohmer, & Pisano, 2001; Emery, Summers, & Surak, 1996; Faraj & Yan, 2009; Hülsheger, Anderson, & Salgado, 2009) and has been identified as a critical emergent state in a team's development process (Ilgen et al., 2005; Kozlowski & Bell, 2003).

However, because psychological safety allows members to bring up tough issues, it may also provide an environment conducive to unethical behavior for certain types of teams. When facing a decision, teams that are composed of members high in utilitarianism are able to use the safety of their environment to suggest choosing the most beneficial option, even if it is socially considered to be unethical. Once that possibility is raised as a realistic option, other members can feel safe to provide support for the idea, agree on a course of action, and begin discussions of how best to implement the team's decision. However, when team members fear the consequences of raising potentially unethical ideas, they will remain silent and the team will be less likely to deviate from established ethical norms. Psychological safety, therefore, provides a mechanism through which intent may be transformed into collective, unethical action for highly utilitarian team members.

For formalistic teams, psychological safety is less influential because there is rarely anything "risky" about their orientation toward ethical decisions. The option of acting unethically may not even seriously occur to formalistic members, and choices conforming to accepted norms and practices do not require shared feelings of safety in order to emerge. Further, there is no threat of rebuke, chastisement, or retribution for ethical decisions, and formalistic team members have no reason to feel that their opinions need to be hidden from their teammates.

In sum, we argue that, for teams composed of members high in utilitarianism, psychological safety acts as a catalyst for uncovering risky ideas and opinions, opening the door to collective unethical behavior. Therefore, we hypothesize the following:

Hypothesis 3: The positive effects of team member utilitarianism on the team's propensity to engage in unethical behavior will be significantly stronger when levels of psychological safety are high.

Method

Sample

Two sections of an undergraduate management class in a United States university participated in this study. Participants included

378 undergraduate students across the sections, who were assigned to 126 three-member teams. Of the 378 participants, 63% were male and 37% were female, with an average age of 21.8 years.

Procedure

Participants were randomly assigned to teams at the beginning of the 14-week semester. They remained in the same teams throughout the entire semester, working on various projects and assignments as part of their regular course work. Specifically, teams worked together to write a series of assigned reports that reviewed and analyzed the key issues of various business cases. In addition, team members were asked to individually or collectively complete a number of short surveys and scenario questionnaires. Near the beginning of the semester, participants individually completed a short survey containing the ethical orientation measures and provided demographic information. After 10 weeks of class, team members individually completed the psychological safety measure online. In Week 11, after finishing a regular case assignment in class, teams collectively completed the unethical decision-making measure on a separate sheet of paper as part of an exercise. Then, in the 13th week of class, teams completed their final case assignment, which was used as the unethical behavior measure. Each team member signed his or her name to indicate that he or she contributed to the assignment and agreed with what the team was turning in.

Measures

Ethical orientation. Team member utilitarianism and formalism were measured with the character traits version of Brady and Wheeler's (1996) Measure of Ethical Viewpoints (see [Reynolds, 2006](#); [Reynolds & Ceranic, 2007](#); [Schminke, Wells, Peyrefitte, & Sebor, 2002](#)). The instrument lists 13 character traits (and seven filler items) that respondents rated on a 5-point scale ranging from 1 (*not important to me*) to 5 (*very important to me*). Utilitarianism includes traits such as innovative, resourceful, effective, influential, results oriented, productive, and a winner. Formalism includes traits such as principled, dependable, trustworthy, honest, noted for integrity, and law abiding. Cronbach's alphas for these measures were .82 for utilitarianism and .81 for formalism. Although they are often seen as opposing viewpoints, researchers view them as two independent ethical dimensions within a larger framework rather than as poles of a single continuum (e.g., Brady & Wheeler, 1996; [Reynolds, 2006](#); [Schminke et al., 1997](#)). Further, because each scale represents a "cluster of philosophical positions" (Brady & Wheeler, 1996, p. 928) made up of socially respected attributes that reflect independent dimensions rather than polar opposites, they have been consistently and positively correlated with one another (e.g., [Reynolds, 2006](#); [Reynolds & Ceranic, 2007](#); [Schminke et al., 2002](#)).

In order to capture the overall level of each ethical orientation within each team, we calculated the average of team members' responses. In contrast to emergent states such as psychological safety, ethical orientations represent relatively stable individual differences in our study, much like goal orientation or personality (e.g., [Barrick, Stewart, Neubert, & Mount, 1998](#); [DeRue, Hollenbeck, Ilgen, Johnson, & Jundt, 2008](#); [LePine, 2005](#)). [Chan \(1998\)](#) argued that the additive aggregation approach is the best choice

when such compositional properties of the team are not shared and when the variance in member scores derives from external (non-group) sources. In this case, variance in individual ethical orientation largely stems from each member's upbringing and experiences rather than his or her group membership. Therefore, the mean of member orientations best represents the central tendency of the team when all team members must contribute to and agree upon a specific course of action (e.g., [Chan, 1998](#); [Moynihan & Peterson, 2001](#); [Steiner, 1972](#)). In fact, recent meta-analytic evidence indicates that the effects of composition variables on team outcomes are strongest when operationalized as the mean (see [Bell, 2007](#)).

This approach is also consistent with prior research that has been unable to isolate the relative influence of individuals within groups in terms of ethical decision making (e.g., [Abdalmohammadi & Reeves, 2003](#); [Baker & Hunt, 2003](#); [Nichols & Day, 1982](#)). For example, [O'Leary and Pangemanan \(2007\)](#) found that group responses to ethical vignettes tended to fall somewhere between the individual responses of the members, suggesting the group response was simply an aggregation of their individual influences. Such findings have led [Treviño et al. \(2006\)](#) to conclude that it is "unclear whether or not groups are able to make decisions that demonstrate greater moral development than the simple average of their members" (p. 969). Therefore, we use an additive model of aggregation to reflect the overall influence of individual ethical orientations on collective decisions in our study.

Psychological safety. Unlike ethical orientations, psychological safety is a shared, emergent team property that develops through repeated exchanges between team members over time. We measured its development using [Edmondson's \(1999\)](#) scale. This scale contains seven items, including "If you make a mistake on this team it is often held against you," "Members of this team are able to bring up problems and tough issues," and "It is safe to take a risk on this team." Each item was scored on a 5-point Likert-type scale ranging from 1 (*strongly disagree*) to 5 (*strongly agree*) and aggregated to the team level. For this scale, coefficient alpha reached .78. Because psychological safety is an emergent state within the team, we calculated the intercorrelation coefficient (ICC) to justify aggregation ($ICC_1 = .34$ and $ICC_2 = .68$; [Bliese, 2000](#); [Klein et al., 2000](#)).

Unethical behavior. We assessed team unethical behavior with two measures focused on cheating. Cheating represents "tactics used by students to achieve an unfair advantage over other students in a course" ([Reynolds & Ceranic, 2007](#), p. 1613). Traditionally, cheating has been viewed as a clear "right versus wrong" decision in which decision makers choose to knowingly violate a set of rules as well as social norms (e.g., [Brady & Wheeler, 1996](#)). From a formalistic view, cheating "violates principles of honesty and fairness to others and thus is considered to be immoral" ([Reynolds & Ceranic, 2007](#), p. 1613). Because students generally view it as a fairly harmless act (see [Jones, 1991](#)), we focus on cheating decisions and behaviors as our collective independent variables.

Team cheating decision. Our team cheating decision measure was adapted from [Detert, Treviño, and Schweitzer \(2008\)](#) and required team members to collectively respond to a hypothetical scenario in which they worked together within the same team:

You are assigned a team project in one of your finance courses. Your team waits until the last minute to begin working. To save time, a friend suggests using an old project out of their fraternity files. Does your team go along with this plan?

The team's choice to use the old project was coded as a decision to cheat, and the choice to not use it was coded as a decision to not cheat. All team members signed the response form indicating that they agreed with the team's decision. Participants were made aware that answers to this question would not influence their grade and would remain sealed until after the final grades were turned in to the university.

Team cheating behavior. The second measure focused on actual cheating behaviors. Although most studies have relied on self-reports of cheating in schools or organizations (e.g., McCabe & Treviño, 1993; McCabe et al., 1996; Reynolds & Ceranic, 2007), by capturing objective team cheating behaviors we were able to address concerns about the social desirability of responses and the security of the hypothetical (e.g., Schweitzer et al., 2004). For the final case exercise of the semester, teams were assigned a short case dealing with the rent-to-own furniture industry (Sharp, 2006). Teams were instructed to "Identify and analyze the key issues of the case. Papers will be graded based on how well you touch on and describe each of the critical issues in the case." The assignment was worth 4 points out of 200 in the course (2% of the final grade). On the day the case was turned in, the instructor announced that teams would be responsible for self-grading their assignment. Teams were then handed a form listing eight critical points that were required in their report. They were informed that their grade would be based on how many of the eight issues they had addressed in their papers (0.5 points each; e.g., "The fiduciary responsibility of rent-to-own firms to their shareholders") and that they were being trusted to grade themselves honestly.

Unbeknownst to the teams, one of the eight issues was a decoy item, unrelated to the case. It read, "What are the interests of State Street and Fidelity brokerage houses in this case?", referring to two specific firms not mentioned in the case. Additionally, no other brokerage firms were listed, and the investment industry played no role in the case, so no team could mistakenly believe that it had addressed this unrelated issue. Teams returned the self-graded form 2 days later, with all three team members signing the form to indicate that they agreed with the team's self-grade. Although some teams may have falsely reported that they addressed one or more of the other seven critical points (instead of, or in addition to, the decoy item), it is possible that some of those instances resulted

from a genuine belief that they had done an adequate job of addressing a broad issue rather than from a deliberate attempt to deceive. Therefore, we coded team cheating dichotomously based on whether the team gave themselves credit for addressing the decoy item.

Per the Human Subjects Review Board agreement, as teams' self-grades were returned to the instructor, the forms were immediately filed away in sealed envelopes and were not viewed until after the semester was over and all final grades had been submitted. All teams received full credit for the assignment (4 points), and the instructor was unaware which specific teams cheated. In the class session after the forms were collected (but before they were viewed), participants were debriefed. The instructor explained that they would all receive full credit for the assignment and that the self-grading was part of an exercise meant to stimulate discussion regarding unethical behaviors in both classes and organizations (e.g., pressure to get high grades, time pressure from heavy workloads in multiple classes). Students were also encouraged to express their thoughts and concerns to the instructor outside of class.

Control variables. We measured team gender composition as the percentage of men within the team. We measured team member course grades by averaging the course grades (out of 100 points) for members of each team.

Results

Data Analysis

Means, standard deviations, and intercorrelations among the variables of interest appear in Table 1. Because our dependent variables (unethical decision making and unethical behavior) were dichotomous, we used logistic regression to test our hypotheses. The individual influence of each variable is reported in Table 2 as both a logistic coefficient (B) and a Wald statistic. Because the logistic coefficient cannot be interpreted as a unit change in the dependent variable for each unit change in the independent variable, the Wald chi-square statistic indicates whether the predictors' regression coefficient is significant. The odds ratio indicates the effect size in terms of the change in likelihood of the dependent variable per unit change of the independent variable.

In Step 1 we entered the control variables, team member utilitarianism and formalism, and psychological safety, to test main effects. In Step 2 we added the interaction between team member

Table 1
Means, Standard Deviations, and Intercorrelations Among Variables of Interest

Variable	<i>M</i>	<i>SD</i>	1	2	3	4	5	6	7
1. Team gender composition	0.63	0.29	—						
2. Team member class grades	84.81	3.74	.01	—					
3. Team member utilitarianism	3.52	0.40	.03	-.07	—				
4. Team member formalism	4.22	0.31	-.01	-.11	.22*	—			
5. Psychological safety	3.93	0.37	-.07	.12	.03	-.03	—		
6. Team cheating decision	0.37	0.48	.00	.11	.21*	-.16†	.07	—	
7. Team cheating behavior	0.24	0.43	-.05	.06	.18*	-.05	.27**	.27**	—

Note. $N = 126$ teams.

† $p < .10$. * $p < .05$. ** $p < .01$.

Table 2
 Logistic Regression Results for the Effects of Team Member Utilitarianism and Psychological Safety on Unethical Team Behavior

Predictor	Team cheating decision						Team cheating behavior					
	Step 1			Step 2			Step 1			Step 2		
	B	Wald χ^2	OR	B	Wald χ^2	OR	B	Wald χ^2	OR	B	Wald χ^2	OR
Team gender composition	-0.10	0.02	0.91	-0.22	0.10	0.80	-0.46	0.34	0.63	-0.65	0.63	0.52
Team member class grades	0.07	1.69	1.07	0.07	1.93	1.08	0.03	0.29	1.03	0.05	0.56	1.05
Team member utilitarianism	1.65	8.56**	5.22	1.73	8.11*	5.65	1.41	5.34*	4.11	1.30	4.22*	3.68
Team member formalism	-1.61	5.47*	0.20	-1.59	5.54*	0.20	-0.81	1.21	0.45	-0.79	1.16	0.45
Psychological safety	0.27	0.25	1.31	0.12	0.05	1.13	1.90	8.18**	6.70	1.67	6.19**	5.33
Utilitarianism \times Psychological Safety				2.41	3.07†	11.18				3.45	4.42*	31.60
Δ Nagelkerke R^2					.03						.04	
Total Nagelkerke R^2		.15			.18			.18			.22	
Δ -2LL					3.02†						4.14*	
χ^2		14.72**			17.74**			15.87**			20.01**	

Note. $N = 126$ teams.
 † $p < .10$. * $p < .05$. ** $p < .01$.

utilitarianism and psychological safety to test the moderated effect. The overall model fit was assessed by a chi-square statistic, which represents the difference between $-2 \log$ likelihood ($-2LL$) for the baseline model and $-2LL$ for the new model. Table 2 indicates the overall fit for each set of regressions, decision $\chi^2(3) = 17.74$, behavior $\chi^2(3) = 20.01$, both of which were significant at the .01 level. Table 2 also reports the Nagelkerke R^2 and change in R^2 for each model. The Nagelkerke R^2 offers a pseudo- R^2 statistic, with higher values indicating greater model fit on a range from 0 to 1 (Hair, Anderson, Tatham, & Black, 1998). As shown in Table 2, the overall moderated model for unethical behavior had a Nagelkerke R^2 of .18 for the decision to cheat and a R^2 of .22 for actual cheating behavior.

Tests of Hypotheses

Hypothesis 1 proposed that the level of utilitarianism among team members would predict the team’s propensity to engage in unethical behavior. To test this hypothesis, we first examined the teams’ self-reported decision to cheat. As shown in Table 2, team member utilitarianism was significantly related to the likelihood that a team would decide to cheat in our hypothetical scenario, Wald $\chi^2(1) = 8.56, p < .01$; odds ratio (OR) = 5.23, 95% CI [1.73, 15.83]. We then examined the effects of utilitarianism on actual cheating behavior. As shown in Table 2, team member utilitarianism was positively related to cheating behavior, Wald $\chi^2(1) = 5.34, p < .05$; OR = 4.11, 95% CI [1.24, 13.63]. The confidence intervals for each odds ratio were significant, as the lower bound was above 1.0; the ratios themselves indicated teams with members high in utilitarianism were more than 5 times more likely to decide to cheat, and more than 4 times more likely to actually cheat, than teams low in utilitarianism. In sum, these results provide support for Hypothesis 1.

Hypothesis 2 predicted that the level of formalism among team members would be negatively related to the team’s propensity to engage in unethical behavior. To test this hypothesis, we first examined the teams’ self-reported decision to cheat. As shown in Table 2, team member formalism, Wald $\chi^2(1) = 5.47, p < .05$;

OR = 0.20, 95% CI [0.05, 0.77], was negatively related to the likelihood that the team would cheat in our hypothetical scenario. The odds ratio was significant, as the upper bound was less than 1.0, and the ratio indicated that a unit decrease in team member formalism decreased the (already low) likelihood that a team would decide to cheat by 80%. We then examined effects on actual cheating behavior. As shown in Table 2, team member formalism was negatively, but not significantly, related to cheating behavior, Wald $\chi^2(1) = 1.21, ns$; OR = 0.45, 95% CI [0.11, 1.88]. Therefore, Hypothesis 2 was partially supported.

Hypothesis 3 proposed that the team’s level of psychological safety would moderate the effects of utilitarianism on unethical behavior, such that teams with high levels of safety would evidence stronger relationships between member utilitarianism and unethical behavior. We first tested the interaction between psychological safety and utilitarianism on the self-reported decision to cheat. As shown in Table 2 and Figure 1, team member utilitari-

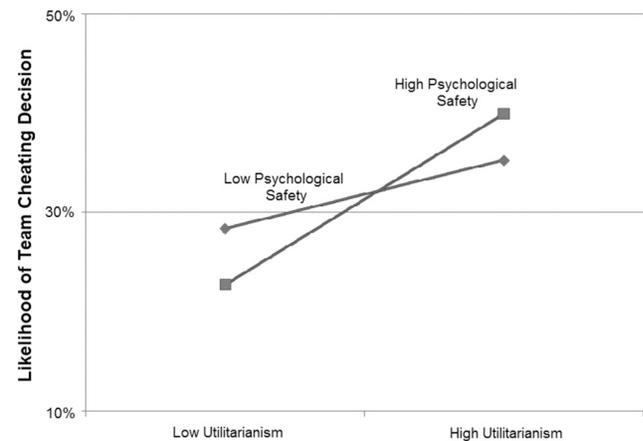


Figure 1. The effects of the interaction between team member utilitarianism and psychological safety on the likelihood of a team’s decision to cheat.

anism had a stronger, if qualified, positive effect on the decision to cheat in teams with higher levels of psychological safety, Wald $\chi^2(1) = 3.07, p < .10; OR = 11.18, 95\% CI [0.75, 166.37]$. We then examined the effects of utilitarianism and psychological safety on actual cheating behavior. As shown in Table 2 and Figure 2, the interaction was significantly related to cheating behavior, Wald $\chi^2(1) = 4.42, p < .05; OR = 31.60, 95\% CI [1.27, 188.82]$. Specifically, utilitarianism had a significantly stronger positive effect on cheating behavior in teams with high levels of psychological safety. Together, these results support Hypothesis 3.¹

Discussion

Although the problem of unethical behavior in organizations has garnered significant interest from researchers and practitioners alike, most of that attention has been focused on the behaviors of individual employees. However, by concentrating on the individual level of analysis, we have tended to overlook the fact that organizational decisions are typically made by groups and teams that rely heavily on the development of specific emergent states and processes (Kozlowski & Bell, 2003). Consequently, we know little about the unique emergent states that may influence whether teams decide to push the envelope and engage in unethical behavior.

To investigate ethical behavior at the team level, we first examined the effects of team member utilitarianism and formalism. Results generally supported our hypotheses, indicating the effects of ethical orientations on behavior are generally isomorphic at the individual and team levels of analysis. We then identified psychological safety as a team-level variable that has the potential to influence the size of those effects. For teams high in utilitarianism, psychological safety helped to unlock the team's propensity to engage in unethical behavior.

Theoretical Implications

The results of this study extend the ethics literature in two ways. First, we demonstrate that ethical orientations at the team level tend to act similarly to ethical orientations at the individual level.

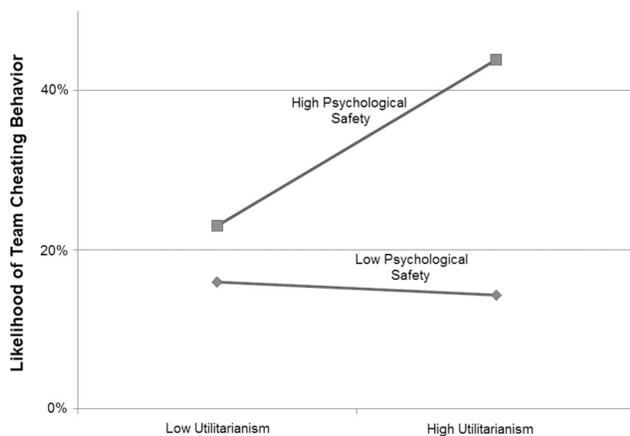


Figure 2. The effects of the interaction between team member utilitarianism and psychological safety on the likelihood of team cheating behavior.

Teams with members who are utilitarian tend to make unethical decisions, while teams with members who are formalistic do not. Second, we show that there are emergent states that can have a significant impact on the incidence of unethical behavior for certain teams. That is, simply knowing the ethical orientations of each team member is not enough to accurately determine whether they will act unethically as a unit. There must be a mechanism in place to allow team members to feel comfortable suggesting an unethical course of action, a key component of which is represented by the level of psychological safety within the team.

These results, therefore, uncover a potentially important boundary condition regarding the benefits of psychological safety in teams. We in no way wish to downplay the positive effects of psychological safety on outcomes such as learning (Edmondson, 1999), creativity (e.g., Kark & Carmeli, 2009), and voice behavior (e.g., Walumbwa & Schaubroeck, 2009), or to suggest that it requires some sort of “warning label” in groups. However, our results indicate that when the composition of the team is just right, psychological safety may have the unintended consequence of contributing to the incidence of behaviors that are detrimental to the long-term success of the organization. As such, we feel that we have extended the nomological net surrounding the construct in an important direction, potentially stimulating future research on how the benefits of psychological safety can remain intact while the possible ethical consequences are avoided.

Further, we found that the interactive effects of utilitarianism and psychological safety were much stronger on unethical behavior than on the scenario-based decision to cheat. Discussions about a hypothetical scenario may not entail much personal risk or reward, as those scores had no influence on students' grades, but decisions regarding an actual assignment involve both interpersonal risks and tangible rewards for students. In such situations, the level of psychological safety within the group may represent a more critical factor in determining whether utilitarian team members act unethically as a collective.

Similarly, we found only direct effects for team member formalism on the hypothetical decision to cheat but not on actual cheating behavior. Whereas previous research has shown stronger results for formalistic predispositions in self-report and scenario-based studies, our findings suggest that formalists may be more likely to “walk the talk” when the issues involve hypothetical decision making or when the rewards are small. Perhaps it is more difficult to continue to take the moral high road when one's teammates are also negatively affected by the decision, and it is possible that formalistic tendencies in teams may not be as robust when one is faced with real-world rewards and consequences.

Finally, we were able to add to the ethical decision-making literature by showing that ethical orientations have effects beyond self-reported moral perceptions of a situation (e.g., Brady & Wheeler, 1996; Reynolds, 2008) or recollections of past experiences with ethical issues (e.g., McCabe & Treviño, 1993; McCabe

¹ Although we focused on the decoy item to capture unethical behavior, teams were also able to gain points by falsely indicating that they had addressed other items in the case. To explore this issue further, we also counted the total number of items that teams falsely claimed to have addressed. We then used linear regression to test our hypotheses with the multiple item measure, with similar results.

et al., 1996; Reynolds & Ceranic, 2007). Specifically, we found that utilitarian orientations translate directly into unethical behavior, supporting and extending past research.

Practical Implications

The implications of our findings for managers are somewhat less clear. Although we provide evidence that a team's composition of members' ethical orientations may influence collective unethical behaviors, it may be difficult, or even counterproductive, to staff teams on that basis. For example, one possibility would be to construct groups of individuals with primarily formalistic orientations to discourage unethical behavior. However, these findings suggest that, when faced with real-world dilemmas, the benefits of formalistic tendencies may fade. Additionally, a diversity of orientations within a team may provide benefits to team performance and creativity, as utilitarians tend to be innovative and entrepreneurial, challenging existing policies and practices (Brady, 1985; De George, 1982).

The possible options for managers are further complicated by the important role of psychological safety in collective unethical behavior shown in this study. Although reducing unethical behavior by teams is important, the many benefits of psychological safety clearly outweigh the potential cost. However, recent research may offer the possibility of a solution: If managers can serve as social models by acting in an ethical manner, the negative effects of psychological safety found in this study might be reduced. In a recent study, Walumbwa and Schaubroeck (2009) found that ethical leadership enhanced follower voice behaviors by creating a psychologically safe environment within the team. It is possible, therefore, that when the development of safety is influenced by a formalistic model of behavior, even utilitarian team members may be less likely to act unethically.

Limitations and Directions for Future Research

We hope that our study will spur interest in studying ethical decision making at the team level. However, despite our findings, this research has a number of potential limitations. First, we focused on teams over several months of working together. Although this time is critical in terms of developing psychological safety within the team and represents a potential advantage to the design of our study, it is possible that our results may look much different in shorter-term teams, such as action or project teams. If psychological safety does not have time to adequately develop, our results suggest that collective unethical behaviors are much less likely to occur.

Second, the emergence of psychological safety perceptions is likely dependent on the size of the team. We examined relatively small teams, with only three members. In larger teams (e.g., 8–10 members), it may be harder to truly develop safety, and broaching potentially unethical issues may be more difficult because the potential for social backlash increases significantly. As such, it would be interesting if future research examined the timing, life cycle, and size of teams engaged in ethical decision making.

Third, although the hypothesized influence of psychological safety on team members' willingness to raise the issue of cheating is supported by our findings, we did not actually monitor or measure member interactions within the teams. Although examin-

ing the communications between team members colluding to behave unethically may prove practically challenging, such information would be invaluable to increasing our understanding of the role of emergent states in collective unethical behavior.

Fourth, team members may have varied in terms of their moral development. According to Kohlberg's (1969) cognitive development theory, individuals progress through multiple stages of moral development. As the individual moves into more advanced stages, his or her judgment about what is right and wrong becomes less easily influenced by others. Although we focused on relatively young students who likely have not progressed past the initial developmental stages, it would be valuable to examine how more morally developed team members would react. In such situations, one strongly formalistic member of the team may refuse to kowtow to any sort of behavior that violates his or her moral judgment.² The effectiveness of such a moral stand may also be determined by the position of the member in the team's social or workflow network (Brass, 1985; Humphrey, Morgeson, & Mannor, 2009), as more central members may exert a stronger influence on group norms and behaviors.

Fifth, although ethical predispositions do tend to align with an individual's behavior, we would like to point out that most people's beliefs do not lie at either extreme. Formalists may be willing to act against their own ethical inclinations to fit in with, or for the benefit of, their teammates (e.g., Robinson & O'Leary-Kelly, 1998), particularly if those trusted teammates are advocating a "harmless" unethical behavior such as cheating. In teams with high levels of cohesion and trust, team members may feel uncomfortable refusing to go along with the group and costing their teammates a higher grade or performance bonus. This moral accommodation may potentially explain the strong direct effects of psychological safety on unethical behavior found in our study, as feelings of loyalty and enhanced identification related to the emergence of safety may have compelled members to do what was best for the group overall, regardless of their personal feelings.

Sixth, we would like to note that we were unable to examine the potential convergence of team members' ethical orientations over time, a phenomenon that has received some empirical support. In an interesting study, Schminke et al. (2002) found utilitarian and formalistic orientations partially converged, but only when influenced by active, formal leaders. They also found that, although there were no effects on utilitarianism, teams with high levels of cohesion exhibited some convergence in formalistic orientations. Finally, they found that team members' formalistic tendencies converged but generally decreased over time, although team members with particularly strong formalistic tendencies remained fairly consistent. Although we don't believe that convergence played a significant role in our findings, particularly given our focus on utilitarianism and psychological safety and the lack of formal leadership within our teams, we did not measure ethical orientations again at the end of the semester and cannot rule out the possibility.

² We empirically examined the possibility of a lone dissenter swaying a team's ethical decisions but did not find any evidence of such an effect in our data. Results of these analyses are available from the authors upon request.

Finally, we focused on cheating decisions and behaviors in a university setting, where student cheating is often commonplace and the penalties are frequently very minor (e.g., McCabe & Treviño, 1993). Classroom cheating is generally viewed as an innocuous act, for which no one else suffers any consequences. As Reynolds and Ceranic (2007) noted, “some students view cheating as a low-risk and harmless activity with potentially huge benefits, both for the individual and for those whom the individual can later benefit” (p. 1614). Our focus on cheating, therefore, represents an important boundary condition to this study. The influence of team members’ ethical orientations may be very different for other types of behaviors, particularly those that entail more potential harm to others (e.g., Reynolds, 2006). For example, when making a decision, utilitarians seek outcomes where the benefits outweigh the costs to themselves and others. When contemplating a potentially harmful act they may be less likely to see a benefit capable of outweighing the potential harm to others. Future research should examine the moderating role of harm by investigating factors that influence how teams engage in more harmful forms of unethical behavior (e.g., stealing from another person or the organization). In addition, results may be very different outside of a university setting. In many organizations, unethical behavior is more proscribed but the stakes are often much higher. Given the strong effect of organizational culture and leadership on widespread unethical behaviors at organizations such as Enron (e.g., Fusaro & Miller, 2002), it is important to extend our findings and examine the effects of organizational norms and climate on collective unethical behavior.

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Received November 21, 2009
Revision received August 23, 2010
Accepted August 31, 2010 ■