

# Executive scandal hurts job prospects even for entry-level employees

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There's more bad news for job seekers with a scandal-hit company like Lehman Brothers or Countrywide Mortgage on their résumés. As if it weren't already hard enough to get a new job in this market, people who worked for one of those companies have tarnished reputations to overcome: New research finds that moral suspicion from higher-ups' wrongdoing spills down to people lower in an organization, even if they did not work directly under the moral transgressor.

"We became interested in the plight of people whose career trajectories were derailed because of someone else's [unethical behavior](#) – these were people who did nothing wrong themselves but suffered reputational damage merely by being associated with a fraudulent employer or company," says Takuya Sawaoka of Stanford University, who published a paper today on the "moral spillover" effect in *Social Psychological and Personality Science*. For example, he points to the stigmatization that many former employees of Enron have faced since the company's collapse and the cloud of suspicion that surrounds co-authors of academics who were found to be responsible for research fraud such as psychologist Diederik Stapel.

In these cases, Sawaoka and his co-author Benoît Monin noticed that people seemed to suffer more reputational damage when they were associated with an unethical supervisor than with an unethical subordinate. So they set out to test the phenomenon with a series of experiments, using vignettes modeled after real-life ethical scandals.

Across the experiments, the researchers found that participants reported greater moral suspicion toward group members exposed to immoral behavior of higher ranking, compared to lower ranking, group members. And in one study, they found that this moral spillover damaged people's ability to be hired. The vignettes included examples from the financial, scientific, and medical sectors, and the results were similar across all the sectors.

Sawaoka says that he was surprised by how little information was necessary to elicit moral spillover. "Participants were presented with brief vignettes about ethical scandals and received very little information about the target of moral spillover, other than their organizational membership," he says. "That we observed reliable moral spillover effects using this paradigm speaks to how easily and quickly people form moral impressions of others based on limited information."

In the experiment about hireability, the researchers asked participants to read a mock article about a scandal in which an organization's member had committed fraud. "Crucially, half of participants read that this individual was a high-ranking executive, and the other half read that this individual was merely an entry-level employee," Sawaoka explains. The participants then had to make a hiring recommendation for someone who was a former employee of the organization, and there was no indication that the person worked directly with the moral transgressor.

The participants who read about the unethical behavior of a high-ranking executive, rather than an entry-level employee, made significantly more negative hiring recommendations for the job applicant. The fact that the job applicant simply worked for a tainted organization, without any direct influence from, or even relationship with, the transgressor "suggests that the implication of direct supervisory control is not necessary for these effects to occur," Sawaoka says.

Indeed, the researchers wanted to control for the possibility that the moral spillover occurs because of perceptions that a high-ranking group member is training subordinates in unethical behavior. Therefore, in one of the experiments, participants read about a supervisor's moral transgressions that either benefited the organization (for example, misrepresenting financial projections to boost a company's profit) or that were completely self-serving (for example, stealing from a company for personal benefit). The participants then had to report their levels of suspicion about a lower ranking member of the organization who took part in an ambiguous ethical violation. They found that participants were morally suspicious about the lower ranking group member, even when the higher ranking member was acting based on self-serving motives.

While past psychology research has looked at how people's moral reputations are tarnished by their own moral failings, this paper is one of the few to examine how people's moral reputations can be damaged by others' moral failings. "In order to preserve one's moral reputation," Sawaoka says, "it may not be enough to be ethical yourself; it's also important to surround yourself with ethical co-workers, and particularly to work under ethical management."

Of course, that's easier said than done. To reduce this [spillover effect](#), Sawaoka suggests that when a scandal occurs, the affected organization emphasize the ways in which the moral transgressors are not representative of the organization, but rather the result of personal flaws or values. Another way would be to downplay the status of the perpetrator(s) in the organization.

Interestingly, that idea runs contrary to the oft-repeated recommendation that leaders take responsibility for ethical breaches in their organization. While top management taking responsibility for misdeeds by middle management can hopefully spare underlings from the brunt of scandal, it can also backfire: "If top management takes responsibility, it means that

the behavior could be perceived as representative of the organization as a whole, expanding the reach of the spillover and ultimately hurting more organization members," Sawaoka says.

He and colleagues plan to look at such unintended consequences in future research, as well as what happens with ethical violations beyond those of a corrupt organizational environment, such as workplace bullying or sexual harassment.

Says Sawaoka: "In general, we think there is great potential in better understanding how the behavior of individual organization members reflects on the image of organizations, and vice versa, especially at a time when ubiquitous online social networks, fast news cycles, and the blurring of privacy norms increasingly puts individual behavior on display."

**More information:** *Social Psychological and Personality Science*  
[spp.sagepub.com/content/early/ ... 50614555027.abstract](https://sagepub.com/content/early/.../50614555027.abstract)

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