Ethical Behavior of Employees in High Stakes Positions: What You Need to Know

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High Stakes Positions

• Strong fiscal responsibility for the financial health of the organization
  – Fundraising, sustainability, education innovation

• The recognizable “face” of the organization
  – Externally: Public relations front person, community leader
  – Externally and internally: Perception of leadership and integrity required

• Top-level administrator of the organization
  – Hiring/firing of teachers – role in shaping the next generation
  – Autonomous decision-making role

• Sets the culture and values of the organization
  – Defines the uniqueness of the country day school experience
A Request…

• Take a moment, and write down your greatest weakness
Behavior: Nature vs. Nurture

- Turkheimer’s first law of behavioral genetics
  - “Everything is genetic”
  - We have learned that nearly any broad behavior or outcome is more a product of nature (genes) than nurture (environment)
  - Often what we attribute to the environment is genetic (nature of nurture)
  - Does this include ethical behavior?
Behavioral Genetics

• How can one separate nature and nurture?
  – Answer: Studies of twins reared together and apart

<table>
<thead>
<tr>
<th>Conscientiousness</th>
<th>Reared Together</th>
<th>Reared Apart</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identical (MZ)</td>
<td>.34 (67 twin pairs)</td>
<td>.33 (47 twin pairs)</td>
</tr>
<tr>
<td>Fraternal (DZ)</td>
<td>.08 (85 twin pairs)</td>
<td>.07 (98 twin pairs)</td>
</tr>
</tbody>
</table>

– Above results show that identical twins much are more similar in their level of work stress than fraternal
– Being reared apart vs. together makes little difference for either type of twins

Identical (MZ) & Fraternal (DZ) Twins

CORRELATION OF TWIN 1 AND TWIN 2

Mo
Jim
Tim
Mary

1 1.5 2 2.5 3 3.5 4 4.5 5

1 1.5 2 2.5 3 3.5 4 4.5 5
CORRELATION OF TWIN 1 AND TWIN 2

CONTROLLING FOR
• SES
• REARING (TOGETHER VS. APART)
• COMMUNICATION

Identical (MZ) & Fraternal (DZ) Twins
Identical (MZ) Twins

CORRELATION OF TWIN 1 AND TWIN 2

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CONTROLLING FOR
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Heritability of Altruistic Behavior

As measured by parents’ and teachers’ rating of degree to which child*:

- Will try to help someone who has been hurt
- Often volunteers to help others
- Shares treats with friends

* When child was age 7.

Source: Knafo & Plomin, Developmental Psychology, 2006

Shared genes: 67%
Shared environment: 30%
Unique: 3%
Heritability of Antisocial Behavior

Aggressive antisocial behavior was rated by parents using items such as:

- Destroys one’s own and others’ belongings
- Fights with other children
- Attacks others
- Threatens others

Sample: 1,480 pairs of Swedish twins

By the way, heritability increases with age, and change itself is heritable

Heritability of Criminal Behavior

Meta-Analysis of Behavioral Genetics Studies on Criminal Behavior

- Genes: 38.25%
- Environment: 17.50%
- Unique: 44.25%

Source: Rhee and Waldman, Psychological Bulletin, 2002
## Heritability of Drug Use

<table>
<thead>
<tr>
<th>Drug</th>
<th>Genes</th>
<th>Environment</th>
<th>Unique</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any</td>
<td>77%</td>
<td>0%</td>
<td>23%</td>
</tr>
<tr>
<td>Cannabis</td>
<td>76%</td>
<td>0%</td>
<td>24%</td>
</tr>
<tr>
<td>Stimulants</td>
<td>76%</td>
<td>0%</td>
<td>24%</td>
</tr>
<tr>
<td>Psychedelics</td>
<td>81%</td>
<td>0%</td>
<td>19%</td>
</tr>
<tr>
<td>Opiates</td>
<td>44%</td>
<td>33%</td>
<td>23%</td>
</tr>
<tr>
<td>Cocaine</td>
<td>44%</td>
<td>13%</td>
<td>43%</td>
</tr>
<tr>
<td><strong>AVERAGE</strong></td>
<td><strong>66%</strong></td>
<td><strong>8%</strong></td>
<td><strong>26%</strong></td>
</tr>
</tbody>
</table>
Extension Beyond Ethics

• This same analysis – with very similar results – applies for virtually all *life* outcomes of interest
  – **Morningness** (Cavallera et al., *PAID*, 2008)
  – **Religiosity** (Vance et al., *JMND*, 2008)
  – **Happiness** (Bartels et al., *TW&HR*, 2010)
  – **Infidelity** (Cherkas et al., *Twin Res.*, 2004)
  – **Marriage/Divorce** (Jerskey et al., *PAID*, 2010)
  – **Income** (Rowe et al., *Intelligence*, 1998)
  – **Political preferences** (Fowler & Dawes, *JofP*, 2008)
  – **Health** (Judge et al., *OBHDP*, 2012)
Extension Beyond Ethics

• This same analysis – with very similar results – applies for virtually all work outcomes of interest
  – Leadership (Zhen et al., OBHDP, 2012)
  – Work stress (Judge et al., OBHDP, 2012)
  – Job satisfaction (Arvey et al., PAID, 1994)
  – Perceptions of organizational climate (Hershberger et al., JAP, 1994)
  – Work engagement/"flow" (Mosing, PAID, 2012)
  – Creativity (Reuter et al., Brain Research, 2006)
  – Entrepreneurship (Nicolaou et al., OBHDP, 2009)
The Environment

- Genes *do* interact with environment
  - Individuals self-select into different environments based on genes
    - Social effects on crime, drug use
  - Purported environmental effects often have genetic basis ("nature of nurture")
    - Reared by nurturing parents
  - Genes interact with environment
    - Smoking $\rightarrow$ cancer depends on genetic markers
  - Epigenetics: Genotype to Phenotype
    - Environment activates/silences genetic markers
  - Policy implications are complex
Summary

- In the war of nature vs. nurture, a clear winner has emerged...
  
  **NATURE**

- More generally, evidence clearly shows that statistical predictions based on objective data *vastly outperform* subjective judgments.
The “Buy It” Argument

• Most of who we are is “set in stone”
• When people do change, we do not change them
  – Thus who we hire is who we get
• If we want an ethical culture, we need to hire ethical people
  – We overestimate the degree to which we can read others
  – We should try to assess the propensity to behave ethically: (a) objectively and (b) before they enter our organization
How Do We Do That?

- We have learned that using standard hiring processes to determine ethicality is an exercise fraught with error
- Objective tests are accurate – and vastly underutilized
- Let’s deal with each of these assertions
### Who Can Catch a Liar?

Probability of Detecting When Individual Was Lying  
(Note: Coin toss = 50)

Upshot: We over-estimate our ability to subjectivity judge moral behavior in others. If trained experts can’t tell, how can interviewers?

<table>
<thead>
<tr>
<th></th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secret Service</td>
<td>64.12</td>
</tr>
<tr>
<td>Federal Polygraphers</td>
<td>55.67</td>
</tr>
<tr>
<td>Robbery Investigators</td>
<td>55.79</td>
</tr>
<tr>
<td>Judges</td>
<td>56.73</td>
</tr>
<tr>
<td>Psychiatrists</td>
<td>57.62</td>
</tr>
<tr>
<td>College Students</td>
<td>52.82</td>
</tr>
</tbody>
</table>

CHANCE ALONE

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Testing

- Three Objective Predictors of Effective and Ethical Behavior
  - Integrity tests
  - Personality tests
  - Cognitive ability tests
- Tests are relatively inexpensive and easy to administer
- Yet use is less than 20%
What Is Integrity?

Integrity

Conscientiousness
- Dutiful
- Dependable
- Achievement

Gentle
Kind
Compliant

Agreeableness

Positive
Optimistic
Placid

Emotional Stability

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Types of Integrity Tests

• Two types
  – Overt (clear-purpose)
    • Are you too honest to steal?
    • Are more than 25% of thieves ever actually caught?
    • An employer who pays poorly has it coming to him when employees steal.
  – Personality (AKA covert, veiled-purpose)
    • On the average, how often during the week do you go to parties?
    • How often do you blush?
    • How many days a week do you make your bed?
Integrity Test Predictive Validity

Meta-Analytic Review of 300 Studies

<table>
<thead>
<tr>
<th></th>
<th>Overt</th>
<th>Veiled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perf</td>
<td>0.33</td>
<td>0.35</td>
</tr>
<tr>
<td>Theft</td>
<td>0.55</td>
<td>0.32</td>
</tr>
</tbody>
</table>
Integrity Test Predictive Validity

Counterproductive Behavior
- OTJ substance abuse
- Theft
- Withdrawal

Job performance: 0.14, 0.18
Counterproductive behavior: 0.38, 0.27
Turnover: 0.06, 0.07

Equally Important Tests

• Integrity tests are only one category of valid employment tests
  – Personality tests
  – Cognitive ability tests

• These predict job performance and counterproductive behavior
Power of Personality Tests

Personality of White Collar Criminals

Responsibility

- Offender: 22.1
- Non-offender: 19.9

Self-control

- Offender: 27.3
- Non-offender: 23.5

Source: Collins and Schmidt (Personnel Psychology, 1993)
Benefits of Tests

• A valid test battery can predict quite accurately the propensity to perform job well and to engage in ethical work behavior

• It is not unreasonable to expect following predictive validity of $r=0.60$ using entire battery

• What does this mean?
Validating a Testing Battery

Job Performance or Counterproductivity

Score on Testing Battery (Total Score)
Validating a Testing Battery

Score on Testing Battery (Total Score)

Cut Score
Hire those who score over this

Job Performance or Counterproductivity

<table>
<thead>
<tr>
<th>Score on Testing Battery (Total Score)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
</tr>
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Validating a Testing Battery

Score on Testing Battery (Total Score)

Cut Score
Hire those who score over this

Minimum Acceptable Performance
Validating a Testing Battery

Score on Testing Battery (Total Score)

Job Performance or Counterproductivity

False Negatives
Ones that got away (Actually, you let them go)

False Positives
"Duds" you hired

“Hits”

"Hits"
Validating a Testing Battery

Score on Testing Battery (Total Score)

False Negatives

# Errors = 6/53 = 11%

“Hits”

# Hits = 14/53 = 27%

False Positives

# Errors = 8/53 = 15%

“Hits”

# Hits = 25/53 = 47%

Three out of four hiring decisions are demonstrated to be accurate.

Job Performance or Counterproductivity

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Problem of Faking (Response Distortion)

• Concerns over faking: Do integrity tests reward dishonest applicants?
  – Who would admit to:
    • Have you ever stolen anything?
    • Did you ever write a check knowing there was not enough money in the bank?

• This doesn’t appear to be the issue it would seem, for two reasons...
Why Faking Isn’t a Problem

• Desirable response is not always so clear to the faker
  – “I always make my bed each morning”
  – “What is the total $ value of everything you have stolen in your life?”

• To the extent that some applicants fake, this does not necessarily undermine validity
  – Some level of socially desirable responding is important to perform most jobs
Caveats

- Very few organizational decision-makers (including, often HR) know much about these tests
- Often we know even less how to validate them = what does effectiveness look like?
- These augment, rather than replace, decision-making
The Problem with Making It

• Ethical conduct is judged based on an act but *lack of integrity will find the act*
• We cannot possibly constrain all ethical conduct
• One might argue that true integrity is behaving ethically when self interest motivates one otherwise
Objections to “Buying It”

• Interesting but unnecessary because...
  – I know our hiring process *is* valid
    • “Our return on assets is good”
  – Our HR group has validated our staffing
    • “Show me the money”
  – We don’t know how to do this or aren’t convinced it’s feasible
    • Please contact me!
A Request, then a Question...

- Write down your greatest weakness
  - What if that weakness was integrity?
  - Do you really trust, that much, your ability to assess this pre-hire?
The ultimate ends of human actions can never...be accounted for by reason, but recommend themselves entirely to the sentiments and affections of mankind.

— David Hume
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Man can do what he wills but he cannot will what he wills.

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*Man can do what he wills but he cannot will what he wills.*

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*Man will become better when you show him what he is like.*

– Anton Chekhov
Thank you

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These slides and my articles can be downloaded from my website:
www.timothy-judge.com