

Research shows high performing employees are more prone to unethical mistakes

Researchers explain why and what leaders can do to help.

[Richard Bistrong](#)



It may seem counterintuitive but the highest performing employees can also be a teams' biggest liability.

Why? In short, because unethical behavior is far more likely to be tolerated when an employee is considered high-performing. According to [research](#), when top performers transgress ethical expectations, "the 'preferred' moral

conclusion is to tolerate high-performing employees' unethical behaviors because of the overall value they bring to the organization and to the workgroup." In other words, if they're really good at their job, many leaders look the other way.

And in our current economic [environment](#) of stress, anxiety, and uncertainty, some employers and employees may be more inclined to cut ethical corners to [enable](#) commercial success.

Here's why this unexpected trend exists—and what leaders can do to make sure their teams stay on the right path.

High performers and ethical lapses

There is considerable [research](#) to suggest that high performers are more susceptible to ethical risk than others. One reason is that high performers' ambitions, power, and [popularity](#) can increase their sense of [impunity](#). Another reason is that high performers' may think they have a [moral license](#) to rewards. Plus some individuals have cognitive biases such as loss aversion and the status quo bias which can lead to protecting your success at all cost, even if unethical.

For instance, [EY's 2022 Global Integrity Report](#) found that "42% of board members agreed that unethical behavior in senior or high performers is tolerated in their organizations," which is up four percent from two years prior. Another [report](#) found that 34% of fraud is committed by executives and upper management level personnel, who we typically consider to be among our high performers.

What's more, when high performers commit an act of ethical misconduct, the financial [losses](#) are estimated to be almost six times as large as when the unethical conduct occurs among less prominent team members. In addition,

violations from front-facing high performers are more likely to make front-page [news](#), potentially causing significant reputational damage.

There are also numerous anecdotal examples which demonstrate what happens when high achievement and high ethics decouple. Take Tim Leissner, the Chairman of the Goldman Sachs Southeast Asia division from 1998 to 2016. He [described](#) himself as wanting to be a “corporate hero,” generated roughly \$600 million in fees to the bank, and also conspired with others to loot the Government of Malaysia’s 1Malaysia Development Berhad sovereign wealth fund of 4.5 billion dollars. Of course high-performing misconduct isn’t often or always on this large of a scale. For example, James D. Falkowski, a high-performing director at QVC for five years, was sentenced to thirty months in [prison](#) for embezzling over a million dollars from his employer, including more than \$200,000 in luxury chauffeur rides for himself, friends, and colleagues.

If we are not aware and sensitive as to how great success does not guarantee great values, then ethical lapses can sneak up when we least expect it. With these troubling examples and statistics, how can you ensure that your highest performers, whom you may trust the most, don’t fall prey to taking shortcuts in their pursuit of success? Here are some potential approaches:

Temper how you celebrate success

High performers can suffer from a [relentless drive](#) to succeed and become addicted to the recognition, accolades, and feeling of being the corporate ‘rainmaker.’ Yet as we know, great success is often [temporary](#) due to market swings. Rather than a linear upward trajectory, performance at most firms is often a predictable S [curve](#). However, as Harvard professor Arthur Brooks suggests in his [book](#), success addiction represents a vicious negative cycle:

“[Success addicts] become successful by working more than others. They believe they have to keep up that pace to maintain their astronomical productivity. ”

With this in mind, when celebrating a big success with a high-performing team member, it's helpful to accompany the accolade with a reminder that it can't last forever. For example, you might say “That was an incredible sale, so take a victory lap, but also take a deep breath. We know market headwinds and tailwinds come and go, so it's ok if next year doesn't bring another big fish!” Acknowledging success with empathy, versus statements like “now go get that next big one,” sends a strong signal that the company understands market volatility by mitigating a mindset of getting carried away by growth. Rightsizing future expectations and taking a pause might just allow some breathing room for you and your high performer to revisit the importance of keeping success and integrity connected.

Also, consider what you're incentivizing. For sure, waging war on success is in no one's interest, and we want to foster a culture of meeting objectives. But measures and rewards based solely on individual performance can lead even the best-intentioned high-performers in the wrong direction. Such reward plans can lead to unintended and [perverse](#) consequences by signaling a culture of “performance survival.” According to Guido Palazzo, Professor of Business Ethics, University of Lausanne, goals that exceed “stretch” and run afoul of reality “can push people beyond ethical boundaries within a ‘financial gain addiction’ culture.” But there are solutions to balance incentives: For example, our clients have implemented rewards and recognition for initiatives in building [diverse](#) teams and recognizing those who have demonstrated the importance of [ESG](#) in their work.

Define and normalize failure

Have you ever asked one of your high performers what they think will happen if their performance falls short, and listened curiously to their responses, paying attention to cues in their body language? High performers rarely conclude on their own that failure is acceptable. In many of the scandals we previously identified, there was a “survival culture” where employees feared for their careers and their dignity if they failed to meet goals. As one former Well-Fargo employee shared, she was summoned into her manager’s office when didn’t meet her goal of opening new (fake) accounts and [told](#) “If you’re bringing down the team you will be fired and it will be on your permanent record.” Such fear runs [counter](#) to [psychological safety](#), resulting in people withholding information from supervisors if they perceive that their goals, objectives, or deadlines are not achievable. Thus, if you want to make sure that your team doesn’t take shortcuts to win at any cost, define [failure](#), and spark a physiologically safe [culture](#) by sharing with your high performers what does, and doesn’t happen if expectations fall short.

[Loss aversion](#), when we will take more risk not to lose something than to gain something, can often impact high performers. Given their vaulted status, high performers often favor the current situation and work hard to maintain it due to loss aversion and [status quo bias](#). Such was the situation with Nick Leeson, an [all-star](#) derivatives trader at Barings Bank, who quickly rose through the ranks to become the general manager of the bank’s Singapore trading division. While his speculative trades initially made large profits for Barings, he then started to run into losses. Too embarrassed to admit it, he doubled down trying to make the money back. The losses grew to more than \$2 billion as he took increasingly risky bets and [led the bank into insolvency](#).

One of our clients mitigates these forces by clearly stating at the outset of any effort, “If it doesn’t look like we are going to make our numbers and

forecasts, let me know as soon as possible, so we can see if there is anything we can do to better support you and formulate a 'get well' plan. But be sure, no one is going to be put on the 'off-ramp' if we can't make it happen." Such statements signal to your high-performers that it's ok to speak up about potential shortfalls and to do so quickly, as opposed to being fearful about future failures, which can lead to an [inclination](#) to take matters into one's own hands to sustain success, with or [without](#) integrity.

Acknowledge and celebrate high integrity

Achievement-oriented people typically enjoy acknowledgment, so take the opportunity to recognize when team members demonstrate high integrity. For example, one client of ours, a VP of procurement, celebrates when her high achievers decide to walk away from business opportunities due to ethical risks. As she shares, "When people see that we protect even our high performers who turn down business for the right reasons, it sends such a strong message across the organization that no one is harmed or shamed for doing what's right, even at the cost of business."

Another client tells us she tries to make integrity "cool" by asking her high performers to be ethical ambassadors, who people can look up to as [mentors and role models](#) of keeping high performance and high ethics connected. Recognizing both the performance and integrity of your high performers reinforces their pursuit of both.

Don't manage high-performers on autopilot

It's easy to get so accustomed to high performers delivering that we leave them on autopilot, and turn our attention to mid and lower performers, looking for ways to step them up to success. This reduced scrutiny on high performers can create an environment where unethical behavior from high

performers goes unnoticed or unaddressed, creating a “hall pass mentality” —they do well, so they get a pass. It’s similar to what happens with [toxic rock stars](#), whose behavior is overlooked because they deliver short-term results. But when success blocks scrutiny, unhealthy behavioral norms can go unchecked in a pattern of ‘[slippery-slope](#)’ ethical missteps.

High performers may see their great efforts and sacrifices as a moral [license](#) and feel entitled to engage in unethical self-serving acts. Their results can give them the privilege to engage in improper conduct without thinking of themselves as [unethical](#). These feelings of entitlement can act as moral credentials that psychologically free up high performers to engage in both interpersonal and organizational dishonesty. According to [researchers](#), “high performers will be more likely to feel as though their performance entitles them “to more than their share.”

To mitigate entitlement, check in regularly with your highest performers, letting them know how much they are appreciated for *both* their work and their integrity. Ensure their compensation aligns with market expectations, and that you aren’t inadvertently over-relying on them to deliver a disproportionate level of your team’s remit by being a “corporate hero.” If you see signs of over-achievement addiction, talk openly with them about slowing down, rather than looking for the adrenaline rush of earning a top result at every endeavor.

It’s nothing new to say that organizations sometimes take their best performers for granted. But what you may not realize is that choice comes with a greater cost than just their feelings of feeling unappreciated. You may inadvertently be giving them a long leash on which to hurt your organization, and themselves. By following these strategies you can avoid sending mixed signals to your high-performers. You can protect them from feeling torn between the pressure to succeed and the pressure to act with integrity.

Make sure they understand that you expect both.

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