A Survey of The Executive’s Advisory Panel:

Why managers bend company rules

John F. Veiga, Timothy D. Golden, and Kathleen Dechant

Editor’s Note: From time to time, we poll our Executive Advisory Panel on topics of interest and concern. For this special topic on ethics, our special-topic editor Jack Veiga and colleagues Timothy Golden and Kathy Dechant asked the Panel to assess the degree to which they observed others “bending the rules.” This survey seems both timely and relevant, as organizations seek ways to increase employee compliance with ethical standards and expectations. Making rules for proper ethical behavior may be step one in ensuring ethical conduct. But if people disregard or break the rules, then the organizational effort to establish a corporate ethic is weakened. As Exxon and other recent corporate ethical meltdowns show, rules alone are not sufficient to ensure ethical behavior across the organization. The panel members were asked to respond to a few questions and also to invite others they thought might be interested in this topic to respond as well. The data shown below represent 111 responses, giving us several perspectives on bending company rules.

Robert C. Ford, Editor, The Executive

Executive Overview

Most managers live by a personal code of conduct that includes certain principles about integrity, regard for others, and keeping commitments. They refrain from engaging in actions that might compromise their reputations, careers, or organizations; they comply with regulations and are law-abiding. Most also believe they are ethical, and that is precisely why, when confronted with situations that they believe compel them to bend company rules, they are decidedly torn. While playing by the rules is the principled thing to do, and many would say the safest too, many managers also feel a responsibility to challenge the rules, because the rules are not always infallible, and fairness to other parties may demand nothing less.

To better understand the nature of these competing demands, we asked over 100 executives from The Executive’s Advisory Panel to share their views with us about why managers bend the rules and what they risk in doing so. The stories they tell offer unique insights into these ethically precarious balancing acts. In presenting these observations we add two cautions. First, it may seem that we are saying that it’s okay to bend rules. We are not, nor are the Advisory Panel members. Decisions to bend rules should never be taken lightly, and ethically responsible executives know that. Second, out of sensitivity to the issues involved, the executives who responded were specifically asked to share their general observations about the nature of rule bending in today’s workplace. Hence, although these are their general observations, they in no way should be considered reflective of any Panel member’s practices.

For experienced managers, making decisions that require juxtaposing their responsibility to uphold company rules with the need to do what is fair is a normal part of the job. And, as one observer noted, “Between the trivial and the tragic are many everyday situations in which responsible people work hard to find ways to maneuver within the boundaries set by the rules. Instead of acting like...
moral bookkeepers, they bend the rules and own up to their deeper responsibilities.” Here, unlike the common connotation of rule bending which can run the gamut of illegal acts from pilfering to securities fraud, we are talking about situations in which the rules may well need to be challenged, where the act does not break the law, and where there may be a greater good accomplished by doing so. For example, consider this situation described to us by an information systems executive:

An employee worked all weekend on an emergency situation. Our company had a policy saying that overtime would not be compensated (either with time off or pay). I told the employee to take two days off at a later time of his own choosing and to mark down ‘sick-day’ on his time sheet, and I would sign off on it.

Whether we call such maneuvering bending the rules or making exceptions, essentially it involves rule breaking. As a manager, would you be willing to find a way to compensate this employee in violation of company rules? Or, would you feel compelled to adhere to the policy and hope that a sincere expression of gratitude to the employee would be sufficient? Either way, how would you feel? And in the end, which action do you think would produce the greater good for the company? While these are not easy decisions to make, managers must balance such competing demands.

Consider a second scenario, in which a manager of research and development asked:

Suppose the manager of a research team is able to complete a funded project ahead of schedule, and the manager decides to have the team work on an unfunded project in order to bootstrap a potential innovation, while the team is still being funded by the other project. Is there anything really wrong with that?

How would you answer this query? Would you have reservations, or would you applaud the manager involved for effectively using a slack resource for the good of the company?

While such situations may range from fairly trivial to extremely consequential, the right thing to do is rarely obvious, and reasoned judgment is essential. Moreover, in this post-Enron era, where newspapers have come to resemble police blotters listing the transgressions of managers who have not only broken rules but violated their fiduciary duties as well, such choices are now being fully scrutinized. Consequently, while managers at every level have begun to rethink some of their choices, and perhaps have become a little more cautious, we still know very little about the realities they face when working in such an ethically gray area.

Bending the Rules: Three Themes

To uncover the oft-competing demands placed on managers, we called on the members of The Executive’s Advisory Panel to share their insights. In total, executives representing 111 diverse national and multinational corporations participated. While their estimates varied as to how extensively rule bending occurs, on average they reported that 70 per cent of all executives do so. That said, it probably goes without saying that the actual extent of rule bending may never be fully known, since we assume that many of the more egregious cases are likely to be well concealed. In support of their observations, respondents provided us with estimates as to the extent to which several different rationales for rule bending are commonly used. While presumably only the rule breaker can know the precise rationale, our intent here is simply to present some of the more well known arguments.

The actual extent of rule bending may never be fully known.

As shown in Table 1, the most frequently cited reasons for rule bending represent a fairly extensive list, from the fairly sophomoric “everyone else does it” to the less culpable “it was necessary to get the job done.” While some rationales seemed to us to be variations of the same theme, such as those that dealt with faulty rules, when we factor analyzed the responses we uncovered three distinct themes: performance-based judgment calls, faulty rules, and socially embedded norms. Table 1 presents the survey results arranged according to theme.

Performance-based judgment calls are managerial decisions to bend the rules because, in so doing, company or individual performance will be enhanced. The logic seems to be that if the rules are bent, the outcome will be fairer, more expeditious, or more beneficial in the long run for the company than it otherwise would be. While respondents provided us with a variety of examples involving performance-based judgment calls, the favorite seemed to be making exceptions to company travel policies as a form of recognition or as a reward for outstanding performance. For instance, one manager told us that his company’s
Table 1
Why Managers Bend the Rules

<table>
<thead>
<tr>
<th>Rationale</th>
<th>Percentage of Managers Who:</th>
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<tr>
<td></td>
<td>Rated this rationale in</td>
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<td></td>
<td>common use</td>
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<td></td>
<td>Rated this rationale as</td>
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<td>appropriate behavior</td>
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<tr>
<td>PERFORMANCE-BASED JUDGMENT CALLS</td>
<td></td>
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<tr>
<td>Performance contingencies demand otherwise</td>
<td>87</td>
</tr>
<tr>
<td>Necessary to get job done</td>
<td>86</td>
</tr>
<tr>
<td>Unfair or overly restrictive standards of performance</td>
<td>77</td>
</tr>
<tr>
<td>Integral to a ‘can-do’ attitude</td>
<td>61</td>
</tr>
<tr>
<td>To avoid negatively affecting the organization</td>
<td>58</td>
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<tr>
<td></td>
<td></td>
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<tr>
<td>Average Rating</td>
<td>74</td>
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<tr>
<td></td>
<td>74</td>
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<tr>
<td>FAULTY RULES</td>
<td></td>
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<tr>
<td>Ambigious rules</td>
<td>78</td>
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<tr>
<td>The rules are out of date</td>
<td>74</td>
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<tr>
<td>Emergency situations supersede some rules</td>
<td>72</td>
</tr>
<tr>
<td>The rules are wrong</td>
<td>54</td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Rating</td>
<td>70</td>
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<tr>
<td></td>
<td>83</td>
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<tr>
<td>SOCIALLY EMBEDDED NORMS</td>
<td></td>
</tr>
<tr>
<td>Everyone else does it</td>
<td>54</td>
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<tr>
<td>Pressure from others</td>
<td>53</td>
</tr>
<tr>
<td>It is politic to do so</td>
<td>49</td>
</tr>
<tr>
<td>Paying back a favor</td>
<td>40</td>
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<tr>
<td>No one expects strict adherence to the rules</td>
<td>39</td>
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<td></td>
<td></td>
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<tr>
<td>Average Rating</td>
<td>47</td>
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<td></td>
<td>22</td>
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travel policy did not provide for spouses to visit employees assigned for long periods of time to remote client sites. The policy did, however, allow these employees to fly home at reasonable intervals. When an employee asked to have his spouse visit him at one of these sites, which happened to be near his in-laws’ residence, the manager agreed to pay for the spouse’s plane ticket in lieu of the employee’s traveling home. The manager reasoned that “work-family balance remains an underrated priority; achieving and maintaining that balance produces a large payback for an employer in terms of employee stability, focus, and effectiveness.”

Faulty rules—company policies that are ambiguous, out-of-date, or simply wrong in the eyes of the manager—can lead to rule bending. One manager told us about a company compensation policy that mandated a maximum of a one pay-grade increase when employees were promoted internally, despite the fact that hiring someone to do the same job from outside the company gave managers the freedom to pay market value. While this rule had been on the books for years, there was a well known “loophole”; i.e., if a present employee’s job description were rewritten to reflect considerably more responsibility and a higher skill level, a larger increase could be justified. Of course, as the manager pointed out, these new job descriptions were “quite often pure fantasy.”

Beyond poorly conceived rules and policies, several executives also maintained that some rules simply couldn’t cover every contingency, especially in emergency situations. One manager told us that when a typhoon hit an island where his company had a field operation, several employees’ homes were damaged and they were forced to live in alternative shelters. As a consequence, the local office manager purchased a washer and dryer for the office so employees could do their laundry while at work. Of course, no “rule” permitted company funds to be used for such a purchase and, in fact, under normal circumstances it would have been severely criticized. However, the manager viewed the action as necessary, reasoning that it would demonstrate that the company cared about the well-being of its employees in their time of need.
Socially embedded norms primarily reflect a perceived lack of respect for rules by some in the company; e.g., “no one expects strict adherence to the rules,” or simply a disdain for playing by the rules in general overshadowed by some potential political advantage. Such embedded norms reflect the extent to which social relationships play an important role in understanding why executives bend the rules and are generally viewed as instrumental in the proliferation and persistence of rule bending. Sometimes exceptions to rules become the norm, particularly when no one takes the time to distinguish between legitimate and questionable motives for rule bending. For example, one executive reported a situation in which company policy, requiring employees to punch out if they left the premises for any reason, was being widely violated. What began as an exception for a few employees seeking to leave early to cash their paychecks on payday mushroomed into a significant problem over time. Another executive reminded us that the norm of reciprocity, or paying back a favor, can also become a powerful influence on those who grant the favor as well as those who receive it:

Realistically, if someone helps you in important ways, say, getting a stalled project off the ground or in gaining access to the right individuals, it is often an unspoken rule that down the road you may have to reciprocate. I am not talking anything illegal here, just the expectation that you owe this person a debt that could include being flexible when they have a need.

Bending Rules for the Greater Good

On average, executives rated performance-based judgment calls as the most common rationale for rule bending (74 per cent), followed closely by faulty rules (70 per cent), with socially embedded norms coming in a distant third (47 per cent). Perhaps one reason that performance-based calls and faulty rules are used so commonly in practice might be that both of these themes are generally predicated on providing a greater good for the company. One younger manager summed it up this way: “I feel that in order to get the job done efficiently and for the good of the company, you need to consider the rules subjectively and determine the greater good.”

Irrespective of the ubiquity of these rationales, our executives differed markedly in how they viewed their appropriateness (Table 1). Without question, rule bending based on socially embedded norms was clearly viewed as inappropriate (only 22 per cent saw such reasoning as acceptable), and yet the fact that such norms are in common use leaves little doubt that they are still fairly pernicious in the corporate world. Indeed as one executive pointed out, “I am unable to single out a significant rule-bending example, because so many rules are broken every day that nothing in particular stands out.” On the other hand, executives also made it clear that some rationales are appropriate, perhaps even preferable—giving especially high marks to faulty rules. Over 83 per cent of executives felt that bending the rules was the right thing to do when standards or policies were found to be lacking currency, clarity, or correctness. In these instances, they suggested that informed and responsible managers could, and perhaps even should, ethically bend the rules. Similarly, 74 per cent felt that bending the rules was appropriate if done for performance-based reasons. Clearly, the need to achieve objectives and reach desired goals on behalf of the “greater good” spurred managers to look favorably on these attributions.

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Does Rule Bending Pay?

While appropriateness should be paramount, it begs the question at the heart of the rule-bending dilemma; i.e., how do peers view the performance of those who do it? Overall the answer to this question is, very favorably! Eighty-three percent of the executives polled supported this contention by indicating that rule-benders are as effective as or more effective than those who don’t bend the rules (see Table 2). And, when we grouped those who were more favorably disposed toward approving

<table>
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<th>Table 2</th>
<th>Are Managers Who Bend the Rules More Effective?</th>
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<td>Managers who bend the rules are:</td>
<td>Those disposed to play by the rules say:</td>
</tr>
<tr>
<td>Less effective</td>
<td>27%</td>
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<tr>
<td>As effective</td>
<td>40%</td>
</tr>
<tr>
<td>More effective</td>
<td>33%</td>
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rule bending (rated all rationales at or above the median on appropriateness) versus those who were less favorably disposed (rated all rationales below the median), we found a similar, although more subdued, assessment. In particular, as shown in Table 2, executives who appear less favorably disposed to bending the rules are less inclined to view rule benders as more effective managers (33 per cent vs. 56 per cent) and more inclined to rate them as less effective (27 per cent vs. 6 per cent).

**Here’s the Rub**

Despite such payoffs, executives also reported that decisions to bend company rules are often accompanied by some personal angst. We discovered this when we asked executives to share with us their most common reasons for not bending the rules (see Figure 1). As can be seen, of the top ten reasons cited, fear of jeopardizing their jobs was at the top of the list. While executives reported that jeopardizing the reputations of their companies or others and creating unwanted precedent were significant downsides for the company, for the most part self-interest was paramount. As one executive explained, “I might be willing to stick my neck out for one of my managers and look the other way, but not if there is a high probability that I will take a hit.”

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Given the potentially high price tag associated with rule bending, is it any wonder that most principled managers might be reluctant to make the right call, when their job, reputation, or personal code of conduct is on the line? Clearly, the consequent ethical dilemmas faced in doing the right thing could be paralyzing.

**Where Should We Go From Here?**

The hard reality is that as long as situations arise that challenge existing standards and practices, managers will be tempted and perhaps even encouraged to bend the rules. No two ways about it, executives have bent and will continue to bend company policies and rules when they feel justified. Of course, their actions will also continue to be tempered by the downside of doing so, making those who are risk averse less likely to take such actions even when the rules may deserve to be challenged.

What guidance or assistance can be given to ensure that everyone’s best interests are served? In part, the answer lies in teaching managers how to confront ethical dilemmas and in persuading organizations to establish a culture that focuses on overall excellence rather than on strict conformity to rules. For starters, both managers and organizations need to recognize that simply relying upon rules and policies cannot be their solitary guide and that they have a responsibility to include other considerations in determining what is right and fair, especially when such rules fail to take into consideration the welfare of others. Indeed, most calls to company ethical hot lines are based on complaints about supervisory practices and fair treatment. For example, consider the executive we quoted at the beginning of this article. She wrote that her “guiding principle was a sense of fairness to the employee [who] could have left the emergency for Monday but opted to sacrifice the weekend so that the problem was solved when everyone returned to work on Monday, thus ensuring no
downtime.” She told the employee she was bending the rules this once to recognize the sacrifice made and to restore that individual’s lost weekend and noted that her action sent “a stronger message than just thanks a lot; I really appreciate that; now get back to work.”

While this executive’s actions seemed highly appropriate, without the company’s buy-in, this could have been a serious dilemma. What if this executive’s actions were not supported by senior management and were later criticized? What if her reputation as an objective manager was put at risk? By taking steps outside the company rules to recognize her employee for his work, she in effect chose to do what many would consider morally legitimate and perhaps even morally required. Yet, her reputation could have been impugned as a result.

For managers, this means taking time to think through each situation in terms of the views you hold that may introduce bias or distortion into your perception of events. It suggests taking into consideration not only the facts of the situation but also the values underlying your motives in taking action. While trying to determine the greater good is never easy, as one executive opined, “In circumstances where rules are bent, always looks for who benefits. If there is personal gain beyond the underlying intent of the rule or policy, there probably is a problem.” Similarly, being aware of the power and ubiquity of socially embedded norms, and the inappropriateness of such motives, is critical. Such awareness could serve you well the next time you are asked to bend a rule as a quid pro quo.

For organizations, it means building a culture which emphasizes the spirit of the law rather than the letter of the law. A code of conduct should not be “strictly rule-bound” but rather should clearly articulate a “statement of the underlying principles” to guide interpretation. Indeed, the fact that the tone of such codes is often punitive or paternalistic might explain, in part, why executives appeared to be so preoccupied with self-preservation. Rather than emphasizing the punitive outcomes of rule bending, companies should emphasize the context in which the rule and its consequences exist.

Consistent with that line of reasoning, companies need to recognize the ethical bind in which their rules and policies put managers and develop ways to minimize the bind. For example, a number of executives complained that despite the fact that they felt they did the right thing, they still felt guilty even when the infraction was fairly insignificant and the personal risk seemed fairly small. We believe that such feelings were engendered because managers felt they did not have the power to make appropriate exceptions.

But, what if a company’s rules included the proviso that managers had the right and responsibility to grant exceptions up to a certain limit? Managers would then not have to bend the rules, say, when they authorized first-class travel for good cause. Such a proviso could also incorporate a reporting process, in which managers would be required to explain their reasoning for the exception. And by reviewing these reports, the company could provide positive and/or corrective feedback to managers as well as discover the need to clarify, update, or even change its rules. Such a dialogue could enhance understanding between all parties and reduce some of the guilt that principled managers experience when they legitimately bend the rules, but most importantly, it could also serve to sensitize them to better trust their instincts when legitimate feelings of guilt arise.

Endnotes
2 We invited members of AME’s Executive Advisory Board (composed of 80 executives representing a diverse set of national and multinational companies) to participate in an anonymous Web-based survey on rule bending. Board members were also asked to invite executives from other companies to participate. In all, we received a total of 111 responses. Respondents were on average 43 years old, and 27 per cent were female.
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