

A Theory of Ethical Accounting and Its Implications for Hypocrisy in Organizations

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### Abstract

Management scholars have typically regarded the widespread instances of hypocrisy across business, religious, and political institutions to be motivated and strategic. We suggest, however, that hypocrisy may stem not only from people's motivation to interpret and utilize information in a self-serving manner, but also from fundamental differences in people's access to that information itself. More specifically, we present a multi-stage Theory of Ethical Accounting (TEA) that describes how this differential access to information, specifically about the self vs. others, can create an interrelated series of cognitive distortions in how people account for the same unethical behavior. TEA posits that such distortions can allow people to believe they are being fair and consistent when appraising the morality of the self and others, while actually being inconsistent in how they do so, and describes how this can ultimately make it harder to address not only hypocrisy but unethical behavior more broadly in organizations.

“I... lived my life in a certain way to make sure that I would never violate any law... certainly never any criminal laws... and always maintained that most important to me was my integrity, was my character, were my values.”

Kenneth Lay (Enron)

It is easy to assume that unethical actors are aware of their own corruption. Yet there are many cases in which these bad actors not only claim moral virtue but condemn those who commit similar transgressions. In fact, we can readily find myriad examples of such hypocrisy from members of our business, religious, and political institutions. Kenneth Lay, the former CEO and chairman of Enron Corporation, for example, repeatedly underscored the importance of integrity and moral values while engaging in numerous counts of securities fraud. Jim Bakker, a former head of the PTL Christian non-profit broadcasting network, became famous for preaching moral values while engaging in a sex scandal and accounting fraud. Likewise, Newt Gingrich, former speaker of the House of Representatives, led a Republican movement that underscored the importance of family values while engaging in an extramarital affair.

The pervasiveness of such hypocrisy, which has been defined as “a phenomenon in which individuals judge their own transgressions to be less morally objectionable than the same transgressions enacted by others” (Valdesolo & DeSteno, 2008), has led scholars to provide a number of motivational explanations for this behavior. Evidence indicates, for example, people can engage in motivated reasoning that allows them to see their own behavior in a more positive light compared to similar behavior from others (Lammers, 2012). Findings also suggest that people may condemn others for behaviors they too have committed to show that they have genuinely repented for their actions (Barden, Rucker, & Petty, 2005). Moreover, other studies have portrayed hypocritical condemnation as a form of “cheap talk” in which people seek to appear moral while avoiding the cost of being moral (Batson, Kobrynowicz, Dinnerstein, Kampf, & Wilson, 1997; Batson & Thompson, 2001; Batson, Thompson, Seufferling, Whitney, & Strongman, 1999; Mazar, Amir, & Ariely, 2008) or to shift attention away from their own improprieties to avoid punishment (Lönnqvist, Rilke, & Walkowitz, 2015). This evidence thus clearly supports the notion that motivational concerns can drive hypocrisy in many situations.

We suggest, however, that such motivational influences may not actually be necessary for this kind of hypocrisy to occur. More specifically, we investigate whether: a) differences in people's access to information about the self vs. others can also drive hypocrisy by creating cognitive distortions in how people account for the same unethical behavior, b) such distortions can promote interpersonal hypocrisy in ways that are unassociated with motivation, and c) such effects can ultimately blind people to the sense that they are acting hypocritically. This premise is based on research documenting how actors and observers can differ in how they explain the same behavior, which finds that this can arise not only from people's inclinations to interpret information in a self-serving manner, but also from their differential access to that information itself (Barresi, 2000; Knobe & Malle, 2002; Malle, 2004, 2005). Indeed, these considerations raise the possibility that while hypocrisy may indeed be self-serving, non-motivational factors based on this differential access to information may ultimately drive hypocrisy as well.

We seek to illuminate these possibilities by proposing a multi-stage Theory of Ethical Accounting (TEA) that describes how and when people's greater information regarding their own behavior can lead them to consider that conduct to be less unethical than the same behavior exhibited by others. We contend that past research on hypocrisy has largely overlooked the role of information-based differences in moral judgment because studies in this literature have tended to focus either on how people evaluate their own actions or how they evaluate the actions of others (e.g., Batson et al., 1999; Monin & Merritt, 2012), rather than on how people might reconcile potential contradictions in these judgements. Indeed, by addressing this limitation, our theory reveals how moral hypocrisy may not require the kind of strategic pretense or willingness to be a hypocrite that prior accounts have suggested (e.g., Lammers, Stapel, & Galinsky, 2010) and details how this can allow those engaging in hypocrisy to believe they are actually ethical. Thus, we suggest that people can maintain this belief not only by rationalizing their own unethical behavior (e.g., Bandura, 1990, 1991; Tsang, 2002), but also by making honest efforts to be fair and consistent when evaluating their own and others' behavior that nevertheless fail. Finally, we explore how organizational contexts may influence how this ethical accounting unfolds and, ultimately, what kinds of hypocrisy will arise in organizations.

### **The (Would Be) Hypocrite's Dilemma**

One theoretical starting point for considering these issues may be found in the notion that people find the prospect of their own unethicity threatening. Scholars have observed that people have been raised to internalize their society's moral standards (Bandura, 1991), and that they are motivated to maintain the sense that, on the whole, they are good people (Bryan, Adams, & Monin, 2013; Mazar et al., 2008; Monin & Miller, 2001; Sherman & Cohen, 2002). Thus, violating moral principles can prove costly to the violator by threatening that sense of self-worth (Lanaj, Kim, Koopman, & Matta, 2018).

Indeed, it is precisely for this reason that such violators have been observed to engage in a variety of defensive rationalization efforts to diffuse that threat in some way (Tsang, 2002). Bandura's (1990, 1991) theory of moral disengagement, for example, describes how people may attempt to diffuse the threat posed by their own immoral behavior through a variety of techniques, including efforts to reframe the act in a more positive light, obscure one's responsibility for the violation, or minimize the harm inflicted on others (Bandura, Barbaranelli, Caprara, & Pastorelli, 1996). Likewise, self-affirmation theory (Aronson, Cohen, & Nail, 1999; Sherman & Cohen, 2002; Steele, 1998) describes how people can mitigate this threat to self-worth not only by altering how their behavior is viewed, but also by emphasizing positive aspects of the self that are unrelated to the provoking threat. Moreover, research on "bounded ethicality," which examines the psychological processes that can lead people to act in ways that are inconsistent with their ethical values, describes how people can be motivated to protect themselves through several processes, including the kinds of moral disengagement techniques detailed above (e.g., Chugh, Bazerman, & Banaji, 2005; Moore, Tetlock, Tanlu, & Bazerman, 2006; Tenbrunsel et al., 2010).

We suggest that these kinds of efforts to discount one's ethical transgressions may be complicated, however, when others engage in the same type of behavior. Transgressors may certainly feel better when they rationalize their own behavior, because they are alleviating the costs of self-sanction posed by violating their internalized moral standards. However, they are unlikely to feel as good about others doing the same thing, because others' moral transgressions can also threaten the self (Wojciszke, 2005). Indeed, a rapidly growing body of evidence has underscored how people are not only less willing

to trust, but also hardwired to punish, others who violate ethical standards, due to the harm such transgressions can pose (de Quervain et al., 2004; Dirks, Kim, Ferrin, & Cooper, 2011; Fehr & Gächter, 2002; Kim, Dirks, Cooper, & Ferrin, 2006; Kim, Ferrin, Cooper, & Dirks, 2004). Moreover, it is difficult to imagine how the threat posed by others' transgressions would be assuaged by the notion that those transgressors have somehow rationalized their actions. If anything, these rationalizations are likely to compound concerns about being harmed by such transgressions in the future.

These concerns create a dilemma where the same rationalization techniques one might use to avoid self-condemnation for one's own unethical behavior can make it harder to condemn others for committing the same kind of transgression, as it is unclear why those rationalizations would not apply to others as well. In such cases, it is certainly possible that people may choose to prioritize either the desire to absolve themselves from blame or the desire to decry others' transgressions. For example, people may persist in rationalizing their unethicality for the sake of mitigating the threat of self-condemnation and simply accept that such rationalizations could allow others to commit the same type of transgression (e.g., by internalizing the norm that "everyone is doing it," cf. Cialdini, Reno, & Kallgren, 1990). Or they may choose to focus on addressing the threat of harm from others' unethicality by condemning such behavior and rejecting attempts to rationalize it, at the cost of precluding the ability to rationalize their own actions. Indeed, suffering for one's misdeed has been found to legitimize the right to warn others against committing it (Effron & Miller, 2015). Alternatively, people may choose to engage in deliberate moral hypocrisy by knowingly rationalizing their own unethical behavior while condemning the same behavior from others, at the cost of cognitive dissonance that would arise from such blatant inconsistency (Stone, Wiegand, Cooper, & Aronson, 1997) and at least an implicit awareness that they have been hypocrites.

However, each of these choices also entails a salient cost that makes it less than ideal. Although the first and second options avoid moral hypocrisy, the risk of harm from others committing the same type of transgression and the challenge of facing one's own immorality, respectively, are likely to remain nagging concerns. And though the option of engaging in deliberate moral hypocrisy alleviates both of these concerns, the cognitive dissonance this would create can lead people to avoid that option entirely

(Stone et al., 1997). Hence the motivation to preserve a sense of self-worth may actually be self-defeating as a cause of hypocrisy in judging others. Accordingly, we suggest that although the types of self-serving rationalizations that the ethics literature has identified provide important insight into how one might explain the moral transgressions of an individual (Bandura, 1990, 1991; Tsang, 2002), much remains to be understood about how people can manage this dilemma of addressing the ethical concerns posed by the self and others in the interpersonal domain. And in this regard, the fact that past research has identified two broad psychological explanations for why actors and observers might differ in how they explain the same behavior – motivation and information access (Barresi, 2000; Knobe & Malle, 2002; Malle, 2004, 2005) – offers a clear path forward, by suggesting that the hypocrisy literature expand its focus beyond motivational explanations to consider how people’s differential access to information might play a role.

### **A Multi-Stage Theory of Ethical Accounting**

We seek to address this limitation through a multi-stage theory of ethical accounting. More specifically, we begin with the long-standing premise that people maintain a balance sheet of moral credits and debits to evaluate both the self and others (Nisan, 1990). This moral balance sheet is based on the notion that although people consider morality important, they do not require it to be perfect. Instead, they treat behavior over time much like a personal bank account in the sense that a party can earn moral credits (which add to this account) by acting ethically and incur moral debits (which are charged to the account) by acting unethically, as long as the balance in that account does not fall below a baseline. This basic idea is at the core of the empirical work on moral credentialing (e.g., Effron, Miller, & Monin, 2012; Yam, Klotz, He, & Reynolds, 2017), which has shown that individuals’ past moral behavior can license people to engage in ambiguously racist and sexist ways. It is also consistent with Mazar and colleagues’ (2008) theory of self-concept maintenance, which asserts that people behave dishonestly enough to profit but not so dishonestly that they would be forced to see themselves as dishonest. The advantages of this ethical accounting system for a given individual arise not only from the opportunity it affords that individual to engage in behaviors that might otherwise threaten the individual’s moral

identity, but also from the ability to use the exact same system to evaluate others and thereby legitimize the allowances the individual has made for him- or herself as consistent with generally-held principles rather than self-serving ones applicable only to the self.

Our theory then extends this foundation by suggesting that this system of ethical accounting can be influenced in at least four ways, via a sequence of self-other distortions that can allow a transgressor to protect the self while attacking the immorality of others. As we will detail, these self-other distortions differ from the kinds of rationalizations that have been proposed by past research on hypocrisy in that they arise not from people's self-serving motivations to protect the sense that they are good people, but rather from more fundamental limitations in people's access to information about others as compared to the self. We therefore build on research showing how judgments of the self and others may differ for reasons other than the desire to see oneself positively (e.g., Kruger & Gilovich, 2004), as well as evidence that actors' and observers' explanations for the same behavior can differ because actors generally have greater insight into their reasons for acting than do observers (Buss, 1978; Locke & Pennington, 1982b; Malle et al., 2007). By doing so, our theoretical model assesses how these kinds of differences in people's access to information about the self vs. others can prompt cognitive distortions in their ethical accounting and subsequently cause moral hypocrisy in ways the literature has largely failed to consider.

We further suggest that such distortions allow people to believe they are being fair and consistent when appraising the morality of the self and others, even while their judgments are inconsistent insofar as they are harsher on others than they are on the self for the same behavior. We posit that this system of ethical accounting can, in effect, allow people to become moral hypocrites without being aware of it and thus gain the benefits of such hypocrisy (i.e., by alleviating the threat posed by one's own immoral behavior) without its typical costs (i.e., arising from the knowledge that one has indeed been a hypocrite).

These notions do not entail that more intentional, motivation-based mechanisms are irrelevant. Rather, our theory recognizes that both motivational and non-motivational influences can co-occur and work in conjunction to drive hypocrisy in a manner similar to what has been described by the literature on trust. More specifically, the trust literature has observed that people strive to evaluate trustworthiness



based on information about the target's trust-relevant characteristics, such as the party's competence, integrity, and benevolence (Mayer, Davis, & Schoorman, 1995). However, this literature has also described how trust can be formed quite quickly, even in the absence of any real information about the target, due to a host of other factors, including perceivers' general predisposition to trust as well as rapid cognitive cues arising from group membership, reputations, and stereotypes (McKnight, Cummings, & Chervany, 1998). The trust literature has thus considered how both informational factors and factors more pertinent to perceivers' motivated cognitions can affect this phenomenon, and thereby constructed a more complete account of its causes by developing distinct theories to evaluate each side of the coin. In contrast, while the ethics literature has recognized that both motivational and non-motivational mechanisms can affect moral judgment (e.g., Bazerman & Tenbrunsel, 2011), research on hypocrisy has focused almost exclusively on the implications of motivation-based rationalizations.<sup>1</sup> Thus, to the extent that both motivational and non-motivational mechanisms can affect hypocrisy, our theory's concerted attention to non-motivational influences seems long overdue.

We can represent this multi-stage Theory of Ethical Accounting (TEA) diagrammatically as a series of four evaluations (see Figure 1). The first evaluation (Unethicality) differentiates actions by distinguishing those that are ethical from those that are unethical and thus considered *debts* that might be charged to one's moral account. The second evaluation (Liability) then differentiates unethical actions (moral debts) by distinguishing those for which one is not accountable from those for which one is accountable and thus are actually entered as *liabilities* against one's character in one's moral *balance sheet*. The third evaluation (Insolvency), in turn, differentiates unethical actions for which one is accountable (moral liabilities) by distinguishing those that would not be weighed more heavily than the moral *credits* in one's moral balance sheet from those that would be weighed more heavily than this past

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<sup>1</sup> Even in the one case we could find where this literature has considered the potential implications of a non-motivational mechanism for hypocrisy (i.e., construal level theory), this mechanism was simply subsumed within a broader motivation-based argument based on people's desire to see themselves in a positive light (Tenbrunsel et al., 2010, p.163). Such efforts to force-fit this kind of non-motivational mechanism into a motivation-based argument, and the theoretical confusion this can cause, further highlights the need to consider explicitly the non-motivational mechanisms that can drive hypocrisy, as our theory strives to do.

history of ethical behavior and thus bring the value of one's moral balance sheet below zero (i.e., such that the transgressor becomes morally *bankrupt*). Finally, the last evaluation (Incompensability) differentiates unethical actions for which one is accountable and that would outweigh the moral credits in one's moral balance sheet (causing insolvency) by distinguishing those which may be counterbalanced by condemning others from those that cannot.

The sequential nature of these evaluations thus reflects the notion that each evaluation does not become relevant until an action meets the threshold of the evaluation immediately preceding it. For example, if the action is not deemed to be unethical (debitable), there is little need to determine whether the focal actor is liable. Likewise, if the action is unethical, but the transgressor is not considered liable for that action, there would be little reason to consider whether it would outweigh the moral credits in that transgressor's balance sheet. Moreover, only when an action is considered unethical, the transgressor is considered liable, and the action brings the transgressor's moral balance sheet below zero does the need to compensate for that moral deficiency arise.

Finally, we suggest that the manner in which people evaluate potentially unethical actions vis-à-vis these four stages differs for judgments of the self as compared to others, as a result of differences in people's access to information about each, and that these differences can affect where the threshold for each evaluation is set. More specifically, for judgments of the self, the threshold for each evaluation can be *relatively high* in the sense that people's differential access to information about the self vs. others can make each stage a meaningful hurdle to be surmounted. In contrast, for judgments of others, the threshold for each evaluation can be *relatively low* in the sense that these same differences in people's access to information can make each stage comparatively easy to breach. The ultimate effect of such differences is that although the exact same system of ethical accounting may be used to evaluate the self and others, and thus foster the view that one has been fair, consistent and impartial, its implications for how the self vs. others are viewed may ultimately differ, for the reasons detailed further below.

Of course, this proposed framework does not preclude the notion people may also be motivated to engage in self-serving rationalizations. In fact, greater insight into such influences may be obtained by

treating the sequence of evaluations in our theory of ethical accounting as a recursive process through which conclusions drawn from prior evaluations can ultimately affect subsequent iterations of the ethical accounting cycle. That is, even if people begin with an open mind when evaluating an ethically questionable behavior and its implications for the target person, the outcomes of those evaluations may ultimately affect their judgments of that party's subsequent actions by creating the motivation for people to confirm their earlier assessments (Nickerson, 1998). This could occur by inducing people to alter their own behavior to make such conclusions more likely (e.g., by attending to different kinds of information about the target, changing the kinds of situations they seek out, acting in ways that might affect the kinds of information they elicit from others, and adjusting the thresholds they set for each of the four stages of evaluation in our theory). People may also make inferences about a target for reasons that have little to do with that party's past behavior (e.g., due to inherent pre-dispositions to see that target in a more or less positive light, as well as rapid cognitive cues arising from group membership and stereotypes). By doing so, they will have, in effect, acted as if they had engaged in prior iterations of the ethical accounting process even when they had not. And this too should motivate people to confirm those initial inferences when evaluating that target through their subsequent information acquisition and evaluation behavior.

Our theory therefore not only acknowledges, but can also account for the notion that motivational and informational factors can interact to produce hypocrisy. However, the central issue we seek to explore in this paper is how interpersonal hypocrisy does not *require* such motivations, and may even be more easily sustained without them, given that this can help individuals avoid the discomforting realization that they have been hypocrites. We will therefore begin our consideration of these issues by discussing each of the four stages of evaluation in our proposed theory of ethical accounting in turn.

### **Unethicality**

The first stage in this system concerns the assessment of whether a given action is ethical or unethical. In this regard, both normative theories of ethics in philosophy and contemporary models of moral judgment in the social sciences have focused their attention on two dominant perspectives for evaluating the morality of an act – consequentialism and deontology. Consequentialist perspectives, such

as utilitarianism, contend that an act should be considered right or wrong based solely on its net outcomes (e.g., whether it does more good than bad on the whole) (Bentham, 1781), whereas deontological perspectives contend that the morality of an act should instead be based on whether it adheres to a set of rules, duties, and obligations that are considered foundational to morality (Kant, 1785). A consequentialist perspective like utilitarianism may thus conclude that it would be morally acceptable to lie, for example, if doing so keeps the inquirer from committing a murder. In contrast, deontological perspectives might hold that the lie would be wrong regardless of the life that would be saved, because lying would not be a practice that people would want others to follow. Lying, even in that instance, might contradict Kant's categorical imperative, which commands: "Act only in accordance with that maxim through which you can at the same time will that it become a universal law" (Kant, 1785, p. 402). As such, the debate between these two ethical perspectives has generally been presented as an either/or decision between two sometimes incompatible views about how moral appraisals should occur.

We suggest, however, that the long-standing debate regarding which of these two normative perspectives should be used to determine the ethicality of an act offers less insight into how people might appear to use them in practice. To be sure, past research has considered how certain behavioral considerations, such as individuals' emotions and intuitions, can lead them to behave in a manner that is inconsistent with the normative perspective they might otherwise advocate (Greene, 2001; Haidt, 2001). However, the notion that individuals may believe they are consistent in their approach to evaluating morality but ultimately act as if they endorse different normative perspectives when judging remarkably similar actions is underexplored. Notably, we are agnostic as to whether people are actually inconsistent in their underlying endorsement of these normative perspectives; our central claim here is that this may simply appear to be the case based on their behavior. Thus we suggest that even if people use the same consequentialist reasoning for the self and others, differences in their access to information about their own and others' behavior may still produce differences in how they evaluate the same action by each. In particular, we propose that whereas individuals tend to act in a manner that makes it appear as if they evaluate their own actions as Consequentialists (i.e., by seeming to focus on the net overall implications

of that action), they also tend to act as in a manner that makes it appear as if they evaluate others' actions as Deontologists (i.e., by seeming to focus on whether the action violates a moral duty) (Proposition #1).

This claim is based on several considerations. First, individuals have been found not only to be more familiar with the situational factors affecting their own decisions than the decisions of others (e.g., Ross, 1977), but also to have more insight into the immediate reasons behind their behavior (Malle et al., 2007). Hence individuals may have a better sense of not only the potential costs of engaging in an ethically questionable action but also the potential benefits. As a result, they should be more likely to account for those potential benefits when they are judging themselves than when they are judging others for the same behavior. For example, a manager may embezzle funds to pay for a relative's medical care and consider this justified in light of the benefits to that relative outweighing the losses to the firm. However, observers who discover the embezzlement are less likely to be aware of how those stolen funds would be used and would therefore be more likely than the manager to evaluate the morality of the act based primarily on the wrong that was committed. In this way, one might observe that even if individuals support the use of consequentialism to evaluate both their own and others' behaviors as a normative principle, the information asymmetry we have described may ultimately lead them to behave more like consequentialists for the self than for others in practice.

This apparent tendency to evaluate the self consequentially but others deontologically may furthermore be exacerbated by the fact that the costs and benefits of an ethically questionable action may differ in time, certainty, and observability. A CEO, for example, might mislead a prospective investor to give the struggling company a better chance of survival and thereby keep hundreds of people employed. Yet this decision involves initiating an unquestionably harmful action with only the hope of a beneficial return. Even if this action seems morally justifiable when an individual makes that decision, it can seem morally unjustified by those who learn of it afterward, particularly if the anticipated benefits of that action fail to occur and observers overestimate the extent to which the actor should have known this would be the case (Roese & Vohs, 2012). In such circumstances, observers may evaluate such actions not in terms of their anticipated costs and benefits but rather in terms of the outcomes that actually occurred.

Moreover, even if the anticipated benefits from an ethically questionable action are achieved, those realized benefits may go unnoticed or underappreciated by observers, to the extent that those benefits concern the avoidance of negative outcomes and the maintenance of the status quo. For those making such decisions, the potential for losses may loom quite large when evaluating the net outcomes of an action (Tversky & Kahneman, 1991). Observers, on the other hand, may find it harder to appreciate the negative outcomes that might have occurred or to believe that the ethically questionable action was the only way in which that negative outcome could have been avoided. Indeed, even if the actor tries to justify his or her actions by underscoring these overlooked or underappreciated implications, observers are likely to discount those justifications as self-serving (Kim & Harmon, 2014).

Finally, even when the same information is available to actors and observers regarding an ethically questionable action, they may nevertheless differ in their ability to consider it. Research on construal level theory suggests that a sense of psychological distance can lead individuals to view a situation more abstractly (i.e., in terms of its superordinate mental representations that focus on its central features) and pay less attention to specific, concrete details and particularities (Trope & Liberman, 2010). Thus, given that individuals are also more psychologically distant from the actions of others than from their own, they should be less likely to attend to the particular positive and negative implications or details of an ethically questionable action, and more likely to focus instead on the question of whether it violates a core moral principle (i.e., an abstraction), when the action has been committed by others as opposed to by the self. Hence the proposed tendency for individuals to appear as if they evaluate their own actions as consequentialists, but evaluate others' actions as deontologists, may arise from differences in not only the objective availability of, but also cognitive access to, information.<sup>2</sup>

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<sup>2</sup> This principle is also consistent with other research on moral judgment, which suggests that people are more likely to think deeply about, and thereby exhibit more consequentialist reasoning for, their own ethical dilemmas than the ethical dilemmas of others (Greene et al., 2001). And though another paper suggests that people may instead use more consequentialist reasoning for judgments of others than the self (Aguilar, Brussino, & Fernández-Dols, 2013), this appears to be due to the specific manner in which Aguilar and colleagues (2013) operationalized their studies (i.e., by focusing on ethical dilemmas in which removing personal involvement, by imagining another party in that role, they allowed respondents to feel less responsible for the harm they might cause).

These considerations collectively help explain how people's evaluations of ethically questionable acts can fundamentally differ depending on whether they were committed by the self or others. Indeed, they suggest that, even if people strive to be fair, consistent, and impartial, and to avoid self-serving rationalizations, they are likely to keep their own ethically questionable actions from reaching the threshold of unethicity at the first stage in our theory, even as they judge others' similar actions to be unethical, with the latter assessment subsequently raising the question of Liability as detailed below.

### **Liability**

The matter of Liability depicted by the second stage in Figure 1 concerns whether the unethical behavior is one for which the actor should be held responsible (Pizarro & Tannenbaum, 2011) and thus counted as a moral liability on the actor's balance sheet in the proposed ethical accounting system. This question moves beyond the traditional focus by normative theories of ethics on the morality of a given act (i.e., based on the principles of consequentialism or deontology) to consider whether the act tells us something about the actor's moral character (Morse & Cohen, 2017; Pizarro & Tannenbaum, 2011). Up to now, this latter consideration has been presented as a third perspective on morality, a person-centered approach known as virtue ethics, that represents an alternative to the consequentialist and deontological perspectives that dominate ethics scholarship (Uhlmann, Pizarro, & Diermeier, 2015). However, we suggest that this question of what an act might tell us about the actor's moral character should be treated as a complement, rather than alternative, to the matter of evaluating the morality of the act itself.

More specifically, our proposed theory of ethical accounting suggests that the assessment of whether a given action is ethical or unethical (i.e., the Unethicity stage in Figure 1) does not obviate the need to consider what that act might tell us about the actor's character, or vice versa. Rather, it is only by considering an act to be ethical or unethical that one may subsequently ask whether that act sheds light on the goodness or badness of the actor. Even if an act is considered unethical (e.g., under consequentialist or deontological principles) and thus crosses the threshold for Unethicity, the question remains of whether that moral debit should be counted against the actor's moral character (i.e., as a moral liability). And in this regard, we likewise suggest that individuals address this latter question in inherently different ways

for the self vs. others, even when they avoid the motivated rationalizations entailed by deliberate acts of hypocrisy. In particular, we propose that individuals are likely to consider the same unethical act to be more informative of the actor's moral character (and thereby count it as a moral liability in the proposed ethical accounting system) when the act was committed by others rather than by the self (Proposition #2).

This proposition is based on the potential for actor-observer differences to arise through at least three mechanisms that have been found to affect people's ability to make character inferences (Uhlmann et al., 2015). First, acts that are considered statistically rare or otherwise extreme are generally perceived to be more informative of the actor's underlying character than acts that are more common (Ditto & Jemmott, 1989; Fiske, 1980). Yet research on the "false consensus effect" has shown that people tend to overestimate the extent to which their own opinions, beliefs, preferences, and values are normal and widely shared (Gilovich, 1990; Marks & Miller, 1987). For this reason, they are likely to assume that their own extreme behaviors, such as their transgressions, are more common than they really are and thus consider those behaviors to be less informative of their underlying character, compared to the same extreme behaviors initiated by other people.

Second, acts that can more easily be attributed to multiple possible causes, and are thus high in attributional ambiguity, tend to be considered less informative of an actor's underlying character (Snyder, Kleck, Strenta, & Mentzer, 1979). However, research on the "fundamental attribution error" reveals that people are more likely to be aware of multiple influences on their own behavior than on the behavior of others (Gilbert & Malone, 1995). Accordingly, one might expect that people would ultimately perceive more attributional ambiguity when judging their own behavior, and thus consider that behavior less informative of underlying character, than they would when judging the behavior of others.

Finally, acts that seem to arise quickly and easily are considered more informative of the actor's underlying character than those that involve more difficult reflection (Crichter, Inbar, & Pizarro, 2013; Tetlock, Kristel, Elson, Green, & Lerner, 2000). Yet if the reasoning underlying Proposition #1 is correct, people are more likely to be aware of the costs and benefits pertinent to their own, rather than others', ethically questionable actions. If so, these people may in turn believe that those actions are on the whole



more indicative of situational considerations, and thus less informative of underlying character, when evaluating their own behavior vs. the behavior of others.

All of these factors combine to suggest that people are less likely to consider their own unethical actions to be informative of their moral character (and thus less likely to count them as liabilities on their moral balance sheet) compared to the actions of others. Hence, for the self, people are less likely to treat the unethical action as something for which they are responsible and thereby succeed in keeping that action from posing further threats to their moral identity. However, for others, the action is more likely to be considered a moral liability and thus raise the subsequent question of Insolvency detailed below.

### **Insolvency**

The question of Insolvency depicted by the third stage in Figure 1 concerns the manner in which an actor's history of ethical and unethical behaviors, for which that actor is liable, is ultimately weighed to assess the actor's moral character (specifically, to assess whether that moral balance sheet is negative). As such, this question moves beyond the evaluation of single acts to consider how the transgression under evaluation combines with other acts to determine a person's overall moral character. In particular, it raises the notion that because any person's past behavior is likely to be comprised of both ethical acts (which, if considered informative of character, might be entered into the balance sheet as moral assets) and unethical acts (which, if considered informative of character, might be counted as moral liabilities), one must ultimately determine how such behaviors should be reconciled when evaluating whether someone is moral or immoral on the whole (i.e., whether the target person's balance sheet of moral assets and liabilities is ultimately positive or negative).

This matter of how people weigh positive and negative information about morality has received marked attention by research on interpersonal perception and a growing body of research on trust repair (e.g., Dirks et al., 2011; Kim, Cooper, Dirks, & Ferrin, 2013; Kim, Diekmann, & Tenbrunsel, 2003; Madon, Jussim, & Eccles, 1997; Martijn, Spears, Van der Plight, & Jakobs, 1992). More specifically, this literature has observed that people tend to weigh negative information about morality much more heavily than positive information about morality due to their reliance on hierarchically-restrictive schemas, which

assume that being at one end of a continuum will restrict one's behavior, whereas being at the other end will not (Reeder & Brewer, 1979). In particular, people intuitively believe that those with high morality will refrain from unethical behaviors in any situation, whereas those with low morality may exhibit either ethical or unethical behaviors depending on their incentives and opportunities. For this reason, a single ethical act is typically discounted as a signal of morality, given that those who are moral or immoral can each act morally in certain situations (e.g., when there are benefits for acting morally or sufficient surveillance to deter immoral acts). However, a single unethical act is typically considered a reliable signal of immorality, given the belief that only immoral individuals would behave in unethical ways.

While this reasoning has been well-supported and found to play an important role in determining how people evaluate others (Pizarro & Tannenbaum, 2011; Tannenbaum, Uhlmann, & Diermeier, 2011), we suggest that people may weigh ethical and unethical behavior less asymmetrically when evaluating the self. This is because much of what drives people's tendency to weigh negative information about morality more heavily than positive information about morality when evaluating others stems from informational constraints that are less likely to arise when evaluating one's own behavior. In particular, classic attribution theories suggest that when considering whether others' ethical or unethical acts are due to dispositional or situational factors, perceivers attempt to subtract out the effect of the situation and attribute what remains to the individual (Kelley, 1973). However, because societal laws, rules, and norms are generally designed to promote ethical principles (Haidt & Kesebir, 2010), this makes it easier to identify situational explanations when behaviors are ethical than when they are unethical, and thereby to infer that ethical behaviors are less informative than unethical behaviors of the actors' moral character.

We have also previously noted (in the section on Liability) that people are much more aware of the extent to which situational forces affect their own behavior than the behavior of others (Gilbert & Malone, 1995). Moreover, evidence indicates that people are also more aware of their own, vs. others', intentions (Kruger & Gilovich, 2004). Hence individuals should: a) be better able to identify situational influences that may affect not only their own ethical behavior, but also their own unethical behavior; b) be more aware of the intentions underlying such ethical and unethical actions; and c) thus tend to give their

ethical and unethical actions more equal weight when assessing their own vs. others' moral character. We therefore propose that whereas individuals are likely to weigh unethical behaviors (moral liabilities) more heavily than ethical behaviors (moral assets) when evaluating the morality of others (i.e., by weighing unethical behaviors more heavily than ethical behaviors) they will weigh unethical and ethical behaviors more symmetrically when evaluating the morality of the self (Proposition #3). Note that we are not proposing that people weigh their own ethical acts and unethical acts *equally* when judging themselves, but instead that the difference between the weights will be smaller for the self than for others. Therefore, when people evaluate others, unethical behaviors are more likely to overrun the moral balance sheet into the negative, whereas people are less likely as a general rule to see themselves as ethically insolvent.

Insolvency concerns thus go beyond simply determining whether an individual should be held responsible for an unethical action to suggest that people also gauge the importance of transgressions relative to the transgressor's past history of behaviors to assess that individual's moral character. This notion is consistent with the premise that people perform a mental calculus in which they count ethical behaviors as moral assets and unethical behaviors as moral liabilities when evaluating morality (Nisan, 1990), but then raises the further possibility that people would weigh moral liabilities more heavily than moral assets for others but not for the self. In this regard, one might note that people may also simply care about others' immorality more than they care about their own (Wojciszke, 2005), because the former may pose a greater threat to their self-interest, and that this interest-based mechanism may also lead people to weigh others' immoral behavior more heavily. However, this kind of interest-based account does not address the fact that people also seek to avoid the sense that they have been hypocrites (Stone et al., 1997). It is only by moving beyond this kind of motivational explanation to consider how differences in people's access to information can affect evaluations of the self vs. others that one can see how they might weigh information about ethical and unethical behaviors differently for such targets while nevertheless believing they have been fair and consistent in assessing their own and others' morality.<sup>3</sup>

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<sup>3</sup> In fact, the kinds of differences in people's access to information we have described that lead people to consider negative information about morality more diagnostic than positive information about morality when evaluating

## **Incompensability**

Finally, the matter of Incompensability depicted by the fourth stage in Figure 1 concerns the question of whether one can rectify one's own moral inadequacy (insolvency) by condemning others who have been similarly unethical. In particular, it builds on the notion that people evaluate a person's moral character according to that party's balance sheet of moral assets and liabilities (i.e., arising from that individual's responsibility for ethical and unethical behaviors, respectively) by raising the question of whether a moral shortcoming (liability) in that balance sheet can be rectified, not only by engaging in ethical acts (as discussed in the Insolvency section), but also by condemning others' similar moral shortcomings. This possibility is raised by the notion that the condemnation of unethical acts may not only deter others from this kind of behavior in the future, but also signal that one has become less tolerant of, and thus more likely to have corrected, this kind of shortcoming in the self. Hence those engaging in such condemnation after committing an unethical act might believe that the moral liability in question has been counterbalanced (i.e., by having earned a moral asset from discouraging others from doing the same thing) and/or erased (i.e., by having corrected this shortcoming and thereby no longer considering it a reflection of their own moral identity).

We suggest, however, that efforts to condemn others to address one's own moral shortcomings may prove far less acceptable when that same tactic is used by others. Indeed, rather than compensate for or erase the shortcoming, such efforts may actually compound perceivers' concerns about being harmed by those others and strike them as the epitome of moral hypocrisy. This notion is supported by evidence that people believe others are less entitled to advise against committing a transgression when those others have themselves committed the transgression, and thus respond with anger and derogation, especially if those others had not paid a price for the transgression they had committed (Efron & Miller, 2015).

We further propose that the potential for people to differentially evaluate their own vs. others' condemnation of those who have engaged in similar transgressions may arise from an egocentric

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others, but not the self, may actually help explain why one's own immoral behavior has been observed to pose less of a threat to one's self-interest than the immoral behavior of others (Wojciszke, 2005).

difference in how people conduct their ethical accounting for such actions. More specifically, past research on how people manage their moral assets and liabilities to maintain a sense of self-worth has typically treated this process as a matter of weighing the good and bad a focal individual has done vis-à-vis a “generalized” other. For example, people may believe that by earning a moral asset through the ethical treatment of one person, they are freer to incur a moral liability by behaving unethically toward an entirely different individual (e.g., Monin & Miller, 2001). Accordingly, people may likewise believe they can compensate for an unethical act they have committed toward one person by condemning other individuals who engage in unethical acts, and thereby reduce the prospect of those other individuals engaging in future transgressions, despite the fact that this condemnation may do little to help the person they have personally harmed. Hence when people face a shortcoming that threatens to bring about moral insolvency, they may consider it reasonable to compensate by condemning the unethical actions of others.

Yet research on the egocentric bias (e.g., Thompson & Loewenstein, 1992) suggests that when the individual seeking to compensate is not the self, but rather another transgressor, the relevant consideration may shift from how that individual has managed their moral assets and liabilities with a “generalized” other to how that party has managed this balance with the self. In particular, given that the moral transgressions of others can threaten the self, those evaluating such transgressors may expect such transgressors to make up for that behavior in some way. But if those transgressors attempt to do so by condemning the unethical behavior of others, such attempts may threaten the self as well, to the extent that we too can often fall short of moral perfection and may be subject to criticism (Nisan, 1990). If so, rather than consider a transgressor’s attempt to condemn the unethical behavior of others beneficial (and thus a moral asset that may reduce the transgressor’s ethical liability), people may feel that such an effort actually compounds the harm that the initial transgression had posed. These considerations ultimately suggest that although people may believe that they can gain moral assets and/or erase their own moral liabilities by condemning the unethical actions of others, people are less likely to believe that others may gain moral assets and/or erase their moral liabilities through the same kind of condemnation (Proposition

#4). For this reason, acts threatening to cause moral insolvency are more likely to be seen as incompensable when committed by others than when they are committed the self.

### **Summary**

The theory of ethical accounting we have proposed thus describes how a series of self-other distortions can lead people to believe that they are being fair and consistent when appraising the morality of the self and others, while actually being inconsistent in how they do so. It details how people may engage in the exact same sequence of evaluations regardless of the target. Moreover, it considers how differences in not only the objective availability of but also cognitive access to information can lead them to reach more favorable conclusions in each assessment for the self than for others. By doing so, it describes how each of the four stages of evaluation represents a significant line of defense that can not only lead people to believe in their own moral adequacy, but also help foster the sense that others who may have engaged in the same kind of potentially unethical behavior are irredeemably immoral.

### **Organizational Considerations**

These concerns warrant particular attention from those seeking to deter the rise of hypocrisy in organizations at both individual and organizational levels.

### **Individual-Level Implications**

At the individual level, a range of organizational factors could affect how hypocrisy develops. Assessments of Unethicality, for example, may be affected by one's level in the organizational hierarchy. Most firms rely on at least some form of hierarchy, in which some members are ranked above others according to their status or authority (Galbraith, 1977). This design is intended to allow higher ranking members to oversee and coordinate the efforts of lower ranking members who are tasked with completing a narrower and more specific set of duties. One might consequently expect that being further up in an organizational hierarchy is likely to increase the range of demands, goals, and stakeholders that must be considered and thereby heighten the need to consider the potential tradeoffs (both costs and benefits) of one's actions. And if so, higher ranking organizational members may be more likely to evaluate their own

actions as Consequentialists than members lower in the hierarchy, even if the tendency to evaluate others' actions as Deontologists remains unchanged. Thus, possessing a more elevated hierarchical position may increase the extent to which organizational members exhibit moral hypocrisy in their assessments of Unethicality (in the manner detailed by Proposition #1).

Relatedly, differences in organizational members' span of control may affect their assessments of Liability. Span of control concerns the range of duties organizational members are charged with performing. And though members' span of control may correlate to some degree with their hierarchical position, the span of control can also be altered even when one's position in the hierarchy remains unchanged (Galbraith, 1977). Differences in span of control warrant consideration because organizational members may find it easier to see themselves as just a small part of a larger system as their span of control narrows. Moreover, to the extent that a narrower span of control represents a type of situational constraint, and people tend to be more aware of the situational constraints impinging on their own behavior than the behavior of others (e.g., Ross, 1977), they should in turn be more likely to consider a narrow span of control a mitigating factor when gauging responsibility for their own vs. others' unethical behavior. Hence organizational members may be less likely to consider themselves responsible for unethical behavior as their span of control narrows, even if their tendency to consider others responsible for similar acts remains unchanged. And if so, possessing a narrower span of control may ultimately increase the extent to which these members exhibit moral hypocrisy in their assessments of Liability (in the manner detailed by Proposition #2).

Furthermore, differences in members' track record of prior ethical behavior in the organization may affect assessments of Insolventcy. A track record of prior ethical behavior entails a greater accumulation of moral assets, which may then be used to justify subsequent ethical violations (e.g., Monin & Miller, 2001). And as previously noted, these moral assets may license people to perform subsequent unethical acts, so long as their moral balance sheet of assets and liabilities is not "overdrawn" (Nisan, 1990). Yet to the extent that even a single unethical act by others can lead to the judgment that those others are immoral (see Proposition #3), people may ultimately view those others' prior ethical

behaviors in a different way. In particular, the conclusion that others are immoral may lead us to wonder whether their prior ethical behaviors were actually attempts to set us up for the unethical act they planned all along, given that we are simply less aware of the intentions underlying the actions of others (Kim, Han, Mislin, & Tuncel, 2019). And if so, this retrospective imputation of nefarious intent may lead to those prior moral credits being discounted or even erased from those others' moral balance sheets. This tendency should, furthermore, be particularly significant for those who have established a longer history of ethical behavior and thereby accumulated a larger number of moral assets that would be erased or discounted. Hence people may discount more positive information about ethicality, relative to negative information about ethicality, when evaluating others whose history of ethical behavior is long vs. short, even though their tendency to weigh their own ethical and unethical behaviors more symmetrically remains unchanged. And if so, organizational members may exhibit greater moral hypocrisy with regard to the assessment of Insolvency (in the manner detailed by Proposition #3) when evaluating those who have established a longer track record of prior ethical behavior in the organization.

Yet another issue that warrants consideration is how members' degree of network centrality may affect their assessments of Incompensability. Network centrality concerns the extent to which one is connected to other members in a network, and it is generally treated as an indicator of one's importance in that social system (Ibarra & Andrews, 1993). As such, those with greater network centrality may believe that they can exert a broader influence on that network, and thereby expect that their efforts to condemn unethical behavior would exert a broader deterrent effect. If so, those who are more central in a network may be more likely to treat their condemnation of others' unethical behavior as a moral asset that may counterbalance the moral liabilities incurred by their own unethical acts, relative to those who are less central, while in each case dismissing the notion that others' efforts to condemn unethical behavior would serve as similar compensation. Hence greater network centrality may ultimately increase the extent to which organizational members exhibit moral hypocrisy in their assessments of Incompensability (in the manner detailed by Proposition #4).



Finally, the level of members' group or organizational identification may affect the very basis upon which these distinctions between the self and others are made. More specifically, identifying with a broader collective may increase the tendency to see that broader collective as part of the self (e.g., Petriglieri, 2015). This may in turn lead people to interpret acts by that collective more similarly to how they would interpret their own actions (reflecting, for example, a greater understanding of situational forces that may affect that collective's behaviors, a better understanding of the collective's intentions, and/or less of an inclination to perceive that collective's actions as threats) (Effron, Markus, Jackman, Muramoto, & Muluk, 2018). And if so, this may ultimately shift the focus of each of the self-other distinctions we have described in Figure 1 from the individual self vs. any other to those within the collective vs. outside that collective.

### **Organizational-Level Implications**

At the organizational level, hypocrisy might arise in two distinct ways, along the lines of past theorizing on organizational corruption (Pinto, Leana, & Pil, 2008). Pinto and colleagues describe how corruption at the organizational level can manifest through two very distinct organizational phenomena. The first is an organization of corrupt individuals (OCI), in which a significant portion of an organization's members act in a corrupt manner primarily for their personal benefit. The second is a corrupt organization (CO), in which a group collectively acts in a corrupt manner for the benefit of the organization. Pinto and colleagues (2008) consider the first type of corruption (OCI) an organization-level phenomenon even though individuals are the primary, and often sole, beneficiaries of such behavior because: a) the behaviors are sufficiently widespread to characterize the organization as a whole, and b) internal meso-level processes are responsible for either facilitating or failing to inhibit the contagion of these behaviors. Moreover, they consider the second type of corruption (CO) an organization-level phenomenon because the organization is not only the primary beneficiary, but also the primary entity that is culpable, even if individual members are also at fault.

This same reasoning regarding organization-level corruption can also be applied to matters of organizational hypocrisy, especially in light of the fact that hypocrisy can involve corruption as well. To

the extent that a greater number of organizational members fall prey to the kind of hypocrisy we have described (e.g., due to the individual-level organizational considerations mentioned above), such hypocrisy can become sufficiently widespread to characterize the organization as a whole (i.e., as an organization of hypocritical individuals, OHI). If so, this may in turn pervade the culture of the organization by signaling a general tolerance for such behavior (Key, 1999; Treviño, Butterfield, & McCabe, 1998; Treviño & Youngblood, 1990), and ultimately damage attitudes toward, and heighten intentions to leave, the organization (Kouzes & Posner, 1995; Philippe & Koehler, 2005).

Organizational members acting as a group on behalf of the organization may also exhibit organization-level hypocrisy, specifically as a hypocritical organization (HO), to the extent that they view their own group's unethical behaviors in a more favorable light than the unethical behaviors of groups acting on behalf of other organizations. This tendency may, furthermore, be heightened when members exhibit greater organizational identification (as we described in our analysis of individual-level organizational factors), to the extent that this identification leads such members to view others within the organization as part of the self. If so, the kinds of self-other distortions our theory details could operate at the boundaries of organizations, rather than between individuals, and this could lead organizations to exhibit a hypocritical tendency to downplay their own unethical conduct while regarding the same behaviors by other organizations as unethical.

Each type of organization-level hypocrisy might, furthermore, be affected by the organization's practices and characteristics. For example, to the extent that an organization of hypocritical individuals (OHI) can arise from the contagion of individual-level hypocritical behaviors, managers may seek to limit that contagion by altering the organization's structure to separate and create boundaries around some of its most vital functions (Galbraith, 1977) and thereby protect those functions from being infected by hypocrisy elsewhere in the company. Likewise, to the extent that meso-level processes can either facilitate or fail to inhibit the contagion of hypocritical behaviors (Pinto et al., 2008), organizations may also seek to alter these meso-level processes to reduce the likelihood that OHI would occur. This might be accomplished, for example, by formalizing a range of organizational practices to encourage greater

perspective-taking (e.g., by fostering dialectical modes of discourse and analysis or by routinizing the use of devil's advocates for ethically questionable decisions) (Heath et al., 1998) in order to prevent hypocritical behavior from becoming more widespread.

Similarly, to the extent that hypocrisy can manifest at the organizational level in the form of a hypocritical organization (HO) due to groups acting on behalf of the organization in ways that those outside the organization would consider hypocritical, attempts to address this type of hypocrisy may ultimately require some form of outreach to those outside the organization to help them evaluate whether a potentially unethical act would be appropriate. This implication is consistent with the recommendations of prior organizational research examining social projection in the moral domain (e.g., Flynn & Wiltermuth, 2010). To the extent that observers can view the same behavior differently from those who might initiate that action, as a result of the cognitive distortions our theory has articulated, greater awareness of how such observers would evaluate that behavior may help organizational actors avoid serious pitfalls in their decisions. Therefore, just as efforts to reduce hypocrisy at the individual level in an organization might benefit from exposing members to the potentially divergent views of other members within the organization, so too may efforts to avoid the HO form of organization-level hypocrisy benefit by exposing groups seeking to act on behalf of their organization to the potentially divergent views of those from other organizations. Moreover, because such outside evaluations can hinge on the outsiders' access to information, as our theory has detailed, managers might also seek to avoid the HO form of hypocrisy by increasing the organization's level of transparency for its ethically questionable decisions (Halter, de Arruda, & Halter, 2009), so the informational bases upon which those within and outside the organization judge these ethically questionable actions are less likely to diverge.

### **Summary**

This analysis ultimately raises the notion that various organizational considerations may combine to affect, and thereby provide the basis for predicting, different forms of moral hypocrisy in organizations. Hence to the extent that such organizational factors can play a role in affecting whether and how hypocrisy might occur, these insights might in turn assist efforts by managers and organizations to detect

and deter such behavior. Our theory of ethical accounting may therefore provide the basis for an array of practical interventions to mitigate the rise of both individual- and organization-level hypocritical behavior, as well as the damage such behavior can inflict on organizational commitment, trust, and work relationships (Simons et al., 2011).

### **Theoretical Implications**

Our proposed theory of ethical accounting also offers a broad range of theoretical implications. First, it is important to reiterate that we do not dispute that people may often seek to rationalize their unethical behavior. Such rationalizations can certainly occur and operate in conjunction with the informational mechanisms our theory considers, as we have detailed earlier in this paper. Yet our analysis suggests that such rationalizations may also prove problematic when others engage in the same kinds of unethical actions, as it is not clear why those rationalizations would not apply to those others as well.<sup>4</sup> Indeed, a purely motivational account based on people's desire to rationalize their own unethical behavior ultimately raises a discomfiting dilemma in which an individual may: i) choose to rationalize that behavior to mitigate the threat of self-condemnation, at the cost of accepting that such rationalizations may encourage the same type of behavior from others, ii) choose instead to condemn others who engage in such behavior and reject their attempts to rationalize it, at the cost of precluding the ability to rationalize one's own unethical behavior, or iii) engage in deliberate moral hypocrisy, by knowingly rationalizing one's own unethical behavior while condemning the same unethical behavior from others, at the cost of cognitive dissonance from such blatant behavioral inconsistency (Stone et al., 1997).

We suggest that people may be able to resolve the dilemma in a different way, grounded not on motivated rationalizations, but rather on more fundamental differences in both the objective availability of and cognitive access to information that can distort how people perceive the self vs. others. In particular, our framework describes how people's susceptibility to an interrelated sequence of four self-other

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<sup>4</sup> This notion is also consistent with research on guilt, which finds that those who feel guilty are more inclined to forgive others (presumably because they would like to be forgiven themselves) (Jordan, Flynn, & Cohen, 2015).

distortions (in their evaluations of Unethicality, Liability, Insolvency, and Incompensability) can allow them to believe they are being fair and consistent when they appraise the morality of the self and others, while actually being inconsistent in how they do so, and thereby gain the benefits of such hypocrisy (i.e., by alleviating the threat posed by one's own immoral behavior) without its typical costs (i.e., arising from the knowledge that one has indeed been a hypocrite).

Our analysis, therefore, advances research on moral hypocrisy beyond its typical focus on individual-level considerations by providing insights that can only be gained from theorizing at an interpersonal level. Past research in this domain has tended to treat people's attitudes toward their own unethical behavior and the unethical behavior of others as discrete considerations (e.g., Batson et al., 1997), rather than consider the potential interplay between such judgments. As a result, although the literature has offered important insights into the nature of hypocrisy, those explanations have remained fragmented and incomplete, to the extent that they have involved fundamentally different theoretical rationales to account for how people deal with moral judgments of others vs. the self, or simply presumed that people are comfortable being moral hypocrites. The present framework seeks to address this limitation by providing a broader and more coherent account of the *interpersonal* considerations that can allow people to reconcile these judgments. And through this effort, it ultimately integrates the literature's disparate explanations for how people address just one side of the coin or the other into a cohesive whole.

This integration, furthermore, moves beyond the simultaneous assessment of the self and others to combine an array of perspectives on moral judgement that have been either considered in isolation or explicitly treated as incompatible. For example, it suggests that the debate over whether assessments of morality should be based on normative theories that focus on the nature of the act (Consequentialism or Deontological ethics) or the nature of the person who committed the act (Uhlmann et al., 2015) may be better resolved by considering how people's appraisals of both the act and the actor may build on, rather than substitute for, one another. Our framework likewise moves beyond considering a single act and the person who committed it to incorporate what has hitherto been treated as an entirely different perspective that has focused on how *multiple* acts should be weighed and counterbalanced (Monin & Miller, 2001;

Nisan, 1990). Finally, our analysis broadens its focus from the question of how one might be unethical to consider how the unethical might subsequently be redeemed and thereby highlights the relevance of yet another distinct literature on how people's underlying cognitions can affect the extent to which ethical violations might be overcome (McCullough, Bono, & Root, 2007; Santelli, Struthers, & Eaton, 2009; Wohl & Branscombe, 2005). As such, our proposed theory underscores how what had previously been treated as distinct, and even competing, theoretical perspectives may more aptly be considered a set of compatible and cumulative frameworks through which ethicality can be viewed.

Beyond merely integrating these ethical perspectives, our proposed theory of ethical accounting offers insights that can advance research on many of these specific perspectives as well. With regard to the longstanding debate in normative ethics regarding the appropriateness of consequentialist vs. deontological perspectives, our analysis suggests that people may not simply subscribe to one perspective or the other and maintain that preference over time (Helzer, Fleeson, Furr, Meindl, & Barranti, 2017), but rather act in a manner that makes them appear as if they switch back and forth between them depending on whether the target of evaluation is the self vs. others. With regard to person-centered accounts of moral judgment (Uhlmann et al., 2015), which consider how acts may be more or less diagnostic of moral character, our analysis highlights how this moral judgement may actually occur through not one, but rather two distinct stages that are susceptible to self-other differentiation: 1) the extent to which acts are considered moral liabilities (Liability) and 2) the extent to which these moral liabilities should be weighed against one's past history of ethical behavior to form an overall assessment of moral character (Insolvency). With respect to research on how multiple (ethical and unethical) acts are combined to form an overall assessment of moral character (Nisan, 1990), our analysis suggests that people's moral assets and liabilities are not immutable, but may actually be re-evaluated over time based on subsequent events that prompt new inferences about those past incidents, in a manner similar to the reconstructive nature of memory (Loftus, 1975). Finally, with regard to the matter of Incompensability, specifically how people may make amends for their unethical actions, our analysis suggests that people may not consider these

remedies impartially, but rather in a fundamentally egocentric manner, and that this tendency may make it far more difficult to forgive others than to forgive ourselves.

This latter consideration, furthermore, underscores the potential for this analysis to inform an entirely distinct literature that has investigated how trust might be repaired after a violation (e.g., Bottom, Gibson, Daniels, & Murnighan, 2002; Ferrin, Kim, Cooper, & Dirks, 2007; Harmon, Kim, & Mayer, 2015; Kim et al., 2017; Maddux, Kim, Okumura, & Brett, 2011). In particular, past research has framed the trust repair process as a matter of resolving discrepant beliefs about the target, with perceivers believing that trust is not warranted and the target believing that greater trust would be deserved (Kim, Dirks, & Cooper, 2009). And our framework can help explain why this might be the case in the aftermath of a transgression, by revealing a number of inherent reasons why people might evaluate others for such actions differently from how they evaluate themselves. By doing so, this analysis underscores how those who commit ethical violations may fail to recognize how their transgressions are interpreted and thereby helps explain why their subsequent attempts to address such incidents and ultimately repair trust may so often fall short.

## **Conclusion**

We hope it is clear that the purpose of this paper is not to diminish everyone as hypocrites. Its purpose, instead, is to suggest that if interpersonal hypocrisy can arise from fundamental differences in people's access to information (as opposed to motivational factors that affect how that information is interpreted and utilized), then efforts to deter its incidence and ensuing implications for ethics in organizations may require more systematic attention than the literature has heretofore presumed. For example, the present analysis may help inform the question of why formal efforts to promote ethics in organizations so often fail (e.g., Chugh et al., 2005; De Cremer, Tenbrunsel, & van Dijk, 2010). In particular, our analysis helps reinforce the notion that to the extent such ethics interventions hinge on organizational members being aware of the ethical implications of their actions, they are relying on an assumption of self-awareness (regarding the unethicity of their own behavior) that often may not hold. Consequently, our proposed theory of ethical accounting ultimately entails that our ability to avoid

hypocrisy, improve ethics in organizations, and limit the kinds of transgressions that can violate trust and damage productive work relationships requires that we acknowledge not only our own susceptibility to such actions, but also the inconsistency with which we assess our own and others' involvement in such behaviors. In the end, it may only be through the recognition that people may evaluate this behavior quite differently for the self and others, despite believing they have been fair and consistent, that we may come to understand how people so often rail against unethicity while engaging in it so readily.



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Figure 1: A Theory of Ethical Accounting

