



## DOES THE QUEST FOR HIGH STATUS ENCOURAGE MISCONDUCT?

VOLKSWAGEN AND SIMILAR FALLS FROM GRACE MOTIVATED BY THE DESIRE TO BE NUMBER 1

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Martin Winterkorn, the former CEO of Volkswagen, was leading his company on a course to surpass Toyota as the largest car maker in the world. And he succeeded. In July 2015, he achieved this pinnacle amongst auto manufacturers. Unfortunately, by September of that same year, his ability to enjoy this privileged position was over.

By now, the storied tale of Volkswagen's Icarus-like fall from grace is now all too well known in business circles and beyond. Specifically, it is now understood that Volkswagen rigged its 2009-2015 diesel-model cars with special software that would detect when the car was going through an emissions test, allowing it to perform at lower emissions levels than was actually the case. The question that my co-authors, Tim Vriend, Onne Janssen, and I asked was if the desire to be Number 1 influences the unethical behavior of those occupying top positions in various ranking contexts.

Rankings, that is, positions by which persons or groups are ordered according to their performance, are pervasive throughout society, including both business and sports. On many levels, rankings are quite effective and valuable. First, rankings give meaning and value to those who occupy the rank. For example, the top rank signifies that someone is the best and the bottom rank signifies that someone is the worst. Second, rankings foster competition (and therefore perhaps, higher performance) amongst people or teams to attain high ranks or avoid low ranks. Third, rankings allow people and organizations to clearly discriminate between good and bad performers and to assign rewards or punishments where relevant.

But is there a destructive side to rankings? In a recent paper published in the journal, *Organizational Behavior and Human Decision Processes*, we found that those competing to attain top ranks in and of themselves were more likely than those competing to attain middle ranks or avoid bottom ranks to act unethically. However, we found that when we accompanied top ranks with rewards and bottom ranks with punishments (which is often how they work in the real world!), people aiming to avoid being in the lowest ranks actually acted most unethical – by doing things like lying and cheating.

The question then is why do top and bottom-ranked people act in these ways? Interestingly, we found that while the outcomes are the same, the reasons are different for those at the top and those at the bottom. Specifically, those in top ranks act unethically because the power that accompanies such top ranks leads to a feeling of invulnerability and behavioral release, fueling the unethical behavior. Whereas, those at the bottom act unethically because their “nothing to lose” mindset allows them to feel morally-justified in bending the rules and situation to their benefit. In other words, people at the top and the bottom of the ranking spectrum *both* act unethically – but for entirely different reasons.

So, what does all of this mean for leaders and organizations? Should corporations, organizations, and committees do away with rankings altogether? We definitely do not argue for a full-scale elimination of ranking systems. But we do assert that these systems have to be accompanied by extra checks and balances. Perhaps the most troubling part of these findings is that the entire assumption on which the effectiveness of rankings is based – that is, that people will increase their legitimate performance in order to attain high ranks or avoid bottom ranks – is turned on its head when we discover that people act unethically (e.g., violating rules, cheating, lying) in order to achieve their desired rank or avoid their undesired rank. This destructive behavior will lead to such ranking systems being perceived as unfair by employees, actually leading to a general cynicism and demotivation by employees. While we hate to argue for more and stricter monitoring systems, for such systems communicate distrust to employees and are often quite costly to effectively implement, it seems like in order to maintain “fair play” in the midst of rankings, such monitoring systems might be necessary. In addition, these monitoring systems should be accompanied by undesirable (and enforceable) punishments for any violations of a fair system of play – that is, punishments that surpass in value the rewards that accompany achieving such ranks.

Second, we found that top-ranked people's greater feelings of power (and the "behavioral release" that accompanies such feelings) are responsible for the unethical behavior of those at the top.

Thus, the question is how to decouple the joys of attaining top rank with the feelings of power that go along with it? One way may be to foster an attitude of humility throughout the organization – that is, an attitude that even those who have achieved the heights of status also need to be mindful of the duties and responsibilities that come with such a coveted position. And while our research does not speak to this point, it also seems obvious that environments that are more values-based, that is, environments where what leaders preach and practice are imbued with and supported by strong values like honesty, integrity, and fairness, are less likely to show the insidious effects of ranking systems and rather largely promote the desirable effects.

In no way do we think that ranking systems will go away any time soon – nor do we advocate for their demise! That said, the results of our research point to the fact that ranking systems can have negative effects, which leaders and organizations need to be mindful of.

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