



# Professional identity can increase dishonesty

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## **Behavioural economics** *[Subject strapline]*

### **Professional identity can increase dishonesty**

*[Suggested title]*

An experiment shows that although bank employees behave honestly on average, dishonesty increases when they make decisions after having been primed to think about their professional identity. See Letter p.XXX

*[Suggested standfirst]*

### **Marie Claire Villeval**

Honesty involves individual preferences but also legal rules and moral and social norms that prescribe what we ought to do. We would like to believe that such norms are able to help individuals resist the temptation of earning more money by behaving dishonestly. But unfortunately, norms that are specific to a particular location or group can sometimes have the opposite effect. In a paper published on *Nature's* website today, Cohn *et al.*<sup>1</sup> provide an example of this in their report of an experiment conducted with the employees of a large international bank. The authors show that the bank employees behave honestly on average in a control situation but become less honest after having been 'primed' to think about their professional identity.

Several scandals in the financial sector have tarnished its reputation, but it has been unclear whether these scandals result mainly from the effects of selection or incentives. The first possibility centres on the idea that the considerable amounts of wealth and assets traded in the financial sector attract some people who have weaker norms of honesty. According to the second explanation, the incentives and the business culture developed in the financial sector may undermine the honesty norms of ordinary employees. Cohn *et al.* provide evidence on the latter explanation (Fig. 1).

A direct comparison of the behaviour of bankers and their respective degrees of honesty to that of employees from other sectors would not be conclusive because one can never guarantee that the two groups would be perfectly comparable, owing to unobservable characteristics. Instead, Cohn *et al.* separated their banker participants into two experimental groups. In the control group, the employees completed a survey about life satisfaction, well-being and everyday life that did not include questions related to their professional role. They were then asked to toss a coin ten times in privacy and report the outcomes online. For each toss, the participants knew in advance whether tails or heads would yield a monetary payoff. In the treatment group, seven of the questions in the preliminary questionnaire were replaced with questions related to the bankers' profession. For example, questions like "how many hours per week do you watch television?" were replaced with ones such as "what is your function at this bank?" These questions were designed to prime the participants to their professional identity before they completed the coin-toss and reporting task.

The authors found that in the control group the distribution of winning tosses reported did not differ from the binomial distribution expected from honest reporting. This indicates that, on average, the employees behaved honestly. However, reporting by the treatment group was

significantly different: the percentage of winning tosses reported up increased from 51.6% in the control group to 58.2% in the treatment group and the proportion of employees who reported dishonestly on at least some of the tosses increased from 16% to 26%.

The effect induced by the treatment could be attributable to several causes, including the competitiveness expected from bank employees, the exposure to competitive bonus schemes, the beliefs about what other employees would do in the same situation or the salience of money in the questionnaire. Cohn and colleagues conducted further tests and statistical analyses to assess these potential channels, but provide data that discount each of them. They also find that the professional-identity priming effect was not replicated in identical sessions involving subjects from other professions. This strongly suggests that the increased dishonesty of the bank employees in the treatment group results from the business culture specific to the banking industry. 'Business culture' is a complex entity that encompasses an organization's norms, values, visions, expectations and habits; it largely exceeds the incentives schemes promoted in the company.

These findings confirm some popular opinions about unethical practices in the financial sector and they have direct implications: it is crucial to ensure a business culture of honesty in this industry in order to restore trust in it. Testing whether the professional-identity effect disappears in companies that have introduced training programmes in ethics would be extremely relevant. The results also open the door to other possible tests of the professional-identity effect on preferences. For example, risk-taking decisions may also be strongly affected by professional-identity priming. Moreover, there is no reason to believe that this effect is limited to the financial sector. For example, the same method could be used to test whether the honesty of politicians is negatively affected by political-background priming

when the participants are faced with political gains opportunities, rather than the financial incentive used for the bankers. At the opposite end of the moral-norms spectrum, the degree of altruism of doctors and nurses or the willingness of police officers to enforce punishment might increase when primed with their professional identity.

From a scientific perspective, this study not only supports the economic theory of social identity<sup>2–5</sup>, which considers that for example gender or occupation create multiple social identities in individuals, but also links this theory with the economic analysis of lying behaviour<sup>6,7</sup>. Beyond economics, it shows how behavioural economists can contribute to a broader reflection in science on how people manage their ‘multiple selves’ to maintain their self-concept of honesty<sup>8</sup>. In particular, we should explore further whether professional identity is used strategically by people to reduce their own responsibility for their behaviour and to shift the blame to their companies. Neuroscientific methods could be solicited to understand how and when the human brain lets professional — ‘impersonal’ — identity become the dominant influence on an individual’s moral norms.

It was not Cohn and colleagues’ aim to explain how business culture may encourage misbehaviour. However, understating how the culture of honesty evolves is an important issue and it is unlikely that the process is one-way. On the one hand, the development of business culture may lead to a ‘deindividuation’ process that facilitates the alignment of the individual with the group’s preferences<sup>9</sup>. If the business culture goes wrong, then individuals may also develop unethical behaviour. On the other hand, individual misconduct may also influence the evolution of business cultures towards more deviant collective norms, through social influence and belief formation. A better understanding of this dual process will require

a theoretical framework that takes into account not only individual motivations but also social interactions and peer effects<sup>10</sup>.

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**Figure 1 | Primed by the profession.** Cohn and colleagues' experimental findings<sup>1</sup> suggest that the business culture of the financial industry undermines the honesty norm of employees.