Working Paper Series

12/2006

The escalation of deception in organizations

Fleming, P. and Zyglidopoulos, S.

CAMBRIDGE
Judge Business School

Author contact details are as follows:

Peter Fleming
Judge Business School
University of Cambridge
p.fleming@jbs.cam.ac.uk

Stelios Zyglidopoulos
Judge Business School
University of Cambridge
szyglidopoulos@yahoo.com

This paper was presented at the
1st Organization Studies Summer Workshop
12-13 June 2006
Santorini, Greece

Please address enquiries about the series to:

Research Support Manager
Judge Business School
Trumpington Street
Cambridge CB2 1AG, UK
Tel: 01223 760546 Fax: 01223 339701
E-mail: research-support@jbs.cam.ac.uk

THE ESCALATION OF DECEPTION IN ORGANIZATIONS

Peter Fleming
Stelios C. Zyglidopoulos

Judge Business School
University of Cambridge
Trumpington Street
Cambridge CB2 1AG
United Kingdom
Tel: +44 (0) 1223 7 60471
Tel: +44 (0) 1223 7 60589
Fax: + 44 (0) 1223 339701
p.fleming@jbs.cam.ac.uk
szyglidopoulos@yahoo.com

An earlier version of this paper was presented at the 1st Organization Studies Summer Workshop: 'Theorizing Process in Organizational Research,' 12-13 June, Santorini, Greece, 2005.

THE ESCALATION OF DECEPTION IN ORGANIZATIONS

ABSTRACT

We develop a process model that explains the escalation of deception in corrupt organizations. If undetected, an initial lie can begin a process whereby the ease, severity and pervasiveness of deception increases overtime so that it eventually becomes an organization level phenomenon. We propose that organizational complexity has an amplifying effect. A feedback loop between organization level deception and each of the escalation stages positively reinforces the process.

Oh, what a tangled web we weave
When first we practise to deceive!
Sir Walter Scott, Marmion, Canto VI

Many of the organizations involved in the recent high-profile scandals such as Enron, WorldCom, Arthur Andersen and Lucent, did not start out deceitful (Clarke, Dean and Oliver, 2003). The founding motto of Arthur Andersen, for example, was 'think straight, talk straight,' and for many decades the company was highly principled. At some point in time, however, deceptive practices crept in and escalated (Cruver, 2002; McLean and Elkind, 2004). A good deal of the popular media dissecting fraudulent practices in these organizations refers to the 'snowballing' of deception (e.g., Miller, 1995; Bennis, 2002; Carroll, 2002; Blair-Smith, 2004). This is where lying soars overtime in scale and scope, taking on a momentum of its own that eventually consumes the organization. While the topic of deception has been broached at the personal (Schweitzer, Ordóñez, and Douma, 2004; Tenbrunsel, 1998; Jones, 1991), inter-personal (Grover, 1993; Brass, Butterfield and Skaggs, 1998) and organization levels (Ashforth and Anand, 2003; Anand, Ashforth and Joshi, 2004; Brief, Buttram and Dukerich, 2001), its escalation has yet to be explained. By escalation we mean an increase in the ease, severity and pervasiveness of deceit until the organization cannot operate without lying. How does lying escalate in organizations and what are the factors that drive it?

This paper presents a process model explaining how deception can escalate in organizations. Of course, escalation is not inevitable. The deception may be a one-off event or arouse enough suspicion to deter further lying. But if the initial lie remains undetected, certain factors will make it easier to tell more lies, which overtime can increase in severity and pervasiveness until deception becomes an organization level phenomenon. We highlight the importance of organizational complexity in amplifying this escalation process, and identify a positive feedback loop between organization level deception and each of the escalation stages. Our emphasis on organizational forces should not detract from the significance of individual moral responsibility. Individuals ultimately choose whether to lie or not, but there is a need for more inquiry into the situational processes that can escalate deception and give it systemic momentum. Here we concur with Gioia (1992) and Brief *et al*. (2001) that contextual factors must be incorporated into explanations of corporate wrongdoing. Moreover, the paper underlines deception as a distinct form of corruption. This is important given that the literature tends to group corrupt activities "together as if they were the same, conducted by the same people, under the same circumstances" (Grover, 1993: 478, also see Donaldson and Dunfee, 1994).

The paper is ordered in the following way. First we define deception as a type of corruption. Second, we introduce and discuss the aforementioned model that explains the escalation of deception. Finally, future research avenues are discussed and we conclude by outlining the implications for management practice.

DECEIT AS CORRUPTION

We understand organizational corruption as a relatively loose concept that signifies the "misuse of an organizational position or authority for personal gain or organizational (or sub-unit) gain, where misuse in turn refers to departures from accepted societal norms" (Anand *et al*., 2004: 40). Research on corruption particularly emphasizes the undermining of the public good by private self-interest (Clarke, 1983; Williams, 2000; Bratsis, 2003). If organizations, economic interactions and markets are embedded in public networks of trust and fair play as Granovetter (1985) and Fukuyama (1995) suggest, then corruption misuses these networks for private gain either at the individual, group or organization level (Nielsen, 2003).

When a significant violation of public trust has occurred, lying is a common corollary because the wrongdoing invites concealment. In some cases, however, deception is so essential that it is hardly, if at all, used to mask other corrupt activities because it is the corruption *par excellence*. This raises an important point for what follows. Deception is a kind of corruption that can support other forms of misconduct or exist for its own sake. For example, a firm that illegally pollutes the environment might deceive its public in order to avoid detection, while another may deceive by grossly exaggerating its financial performance. In the first case, the main act of corruption is pollution, while in the second case, it is lying. Because of its relevance to recent corporate trends involving pecuniary misrepresentation, this paper deals with the escalation of the latter type of deceit.

According to Bok (1999), we lie to others when we “communicate messages meant to mislead them, meant to make believe what we ourselves do not believe” (Bok, 1999: 13). Lying may take the form of giving false information (lies of commission) or withholding truthful information (lies of omission) (also see Schweitzer and Croson, 1999). The two types of lying can reinforce each other. If a lie of commission is institutionalized, future omissions might maintain the deception. Conversely, if a lie of omission is tested it may evoke further concealment with a lie of commission. Conceptual ambiguity surrounds lies of omission because silence about truthful information and simple ignorance are often difficult to distinguish (Barnes, 1996). We therefore concentrate on lies of commission since they provide the most clear-cut examples of corrupt deceit (Kramer and Messick, 1996). Like betrayal (see Elangovan and Shapiro, 1998), lying involves a social relationship in which a teller wilfully conceals a truth from a receiver who is not privy to this truth. While there is nothing inherently immoral in this (Goffman, 1959; Elias, 2000), harmful lies are those that adversely affect the receiver, who would act very differently if he or she knew the truth being concealed. More serious still is when the deceiver unjustly gains from the lie in a way that adversely impinges upon the interests and well being of the deceived. This is when deceiving others dovetails with conniving, wile and corruption.

There are many reasons why some may choose to engage in deception, especially the type that we are interested in here concerning pecuniary misrepresentation. In the popular press, the most cited motivators are greed and predatory self-interest (Cruver, 2002; Levy and Lindsen, 2002). In his insider's account of the 1987 Wall Street collapse, Lewis (1990) argued that unbridled greed coupled with low transparency was the prime source of the insider-trading networks that dogged the Wall Street environment. This can be called the 'bad apple' theory (Trevino and Youngblood, 1990) of lying as it focuses on individual immorality as the underlabor of deception. More contextual explanations highlight the environmental preconditions of the liar and the institutional 'incentives' that make lying more probable (Tenbrunsel, 1998; Tenbrunsel *el al.*, 2000). For Tenbrunsel (1998), temptations like a high-risk financial stake or project deadline can increase the propensity for deception, even among otherwise ethical individuals. Grover (1993) demonstrates how actors may lie in order to avoid anxiety in stressful work environments. Participants construe deception as a defensive manoeuvre rather than a devious act. At a broader level, Berenson (2003) cites the expectation to post ever-greater quarterly earnings as a key incentive to lie. With the decline of independent investment research, deception presents itself as an appealing possibility for organizations to meet their own unrealistic short-term forecasts. This is reflected in WorldCom's inflated earnings and manipulated loss indicators (Simons, 2002; Unerman and O'Dwyer, 2004). Similarly, because Enron was inordinately hyped as a 'company of the future' by themselves, the press and business consultants, fraudulent off-balance sheet utilities became a viable alternative to admitting failure or incompetence (Mills, 2002).

THE ESCALATION OF DECEPTION

While we know increasingly more about the various motivators for lying in corrupt organizations, its temporal development remains under-conceptualized. In this section we outline a process model that explains how deception can escalate (See Figure 1). The model begins with the initial act of deception at the individual and/or group level. Here the escalation of deception is not inevitable. The lie may be a one-off event or arouse enough suspicion to deter further deception. However, if the initial lie is undetected a number of factors will increase the likelihood of continued lying. We propose that as the deception continues its severity and pervasiveness also increases, transforming lying into an organization level phenomenon. Organizational complexity can amplify this process by directly influencing the ease, severity and pervasiveness of the deceit. Once deception has become an organization level phenomenon, it forms a background that further increases the ease, severity and pervasiveness of deception. This is indicated by the feedback loop. It returns to the initial act of deception to illustrate how newcomers or previously honest employees may begin to lie when embedded in an escalating system.

Insert Figure 1 about here

Ease of Further Deception

Once an individual and/or group have lied at least once and it remains undetected, certain factors will make it easier for them to lie again in the future and thus begin or perpetuate the escalation process. These factors are increased incentives and rationalization.

First, as Tenbrunsel (1998) found, in accordance with Ferrell and Gresham (1985), Hunt and Vitell (1986), and Jones (1991), deception is made more probable if incentives are present. And since it is most likely that the incentives to lie the second time around will be greater than the first, it will be easier for a manager to overcome his or her moral reservations and lie again. Why are the incentives greater the second time around? To answer this question, let us go back to the hypothetical first lie.

A manager of a financially under-performing firm might choose to lie about its troublesome performance rather than disclose the truth to shareholders, regulators and the public. While such deception can avoid penalization and buy time, it rarely makes the underlying problem go away. It is like a patient falsifying his or her medical results so that their immediate family is not worried. Such a tactic seldom cures the disease. For example, but for less noble reasons, as the misalignment between Enron's strategy and its environment increased, the gap between expectation and actual performance also grew, motivating managers to lie again as the situation worsened (McLean and Elkind, 2004: 41). Since the underlying causes of the under-performance were misrepresented, the incentive to continue lying (i.e., financial losses) increased overtime. Relatedly, when the problem that prompted the first lie reappears, the risk of having past untruths exposed is a powerful incentive to lie again. In this way, past deceit operates as a sunk cost that can escalate commitment to an unethical course of action, which will be increasingly difficult to reverse (Staw, 1981; Staw and Ross, 1987, 1989). As the lying continues, considerable effort will be required to maintain consistency between present and past deceitfulness (Grover, 2005).

Second, Chugh, Banaji, and Bazerman (2005) argue that actors often make moral decisions within a cognitive constraint they call 'bounded ethicality'. This is where individuals and/or groups employ self-serving biases with the aim of maintaining a morally consistent and positive view of themselves (also see Bazerman, 1994; Taylor, 1989). As Donaldson and Dunfee (1994) suggest, this constraint is akin to bounded rationality in that most moral actors are affected by it. Bounded ethicality assumes the status of rationalization when individuals feel compelled to justify to themselves and others why their otherwise dubious behaviour is morally legitimate. According to Anand *et al.* (2004), rationalizations are mental strategies that justify corrupt activities both retrospectively (past actions) and prospectively (future actions). Examples include the denial of responsibility, denial of injury, denial of victimhood, social weighing, appeals to higher loyalties and balancing the ledger. Such rationalization techniques often have an institutional base, and may be supported by socialization forces, euphemistic language, and other organizational factors that neutralize potentially crippling feelings of impropriety. A common case is someone who tells him or herself that their corrupt activity is acceptable because "everybody is doing it". Tenbrunsel and Messick (2004) suggest that rationalization eventually 'fades' the moral reality in which corrupt decisions are embedded. The repeated rationalization of deception can routinize the activity, "thus minimizing the occasions in which moral questions may arise" (Kelman and Hamilton, 1989: 18). An ex-Enron executive captured the essence of routinized rationalization when he said, "You did it once, it smelled bad, …You did it again, it didn't smell as bad." (McLean and Elkind, 2004: 128).

> ***Proposition 1:*** **Once an organizational member or group has lied and it remains undetected, it will become easier for them to lie again in the future.**

Severity of Deception

The increased ease of lying makes it more likely that deception will continue once it has started, thus allowing a number of factors to increase the severity of successive lies. These factors are the need for cover-up lies, a deteriorating underlying situation and changing attitudes towards risk.

First, additional lies may be required to cover-up past lies, which can set the scene for deception of a more severe kind. As Messick and Bazerman (1996) succinctly point out,

> One risk often overlooked when practicing deceit is the continual need to maintain deception. Not only are original facts hidden, but the fact of hiding must also be hidden (Messick and Bazerman, 1996: 21)

By virtue of simple numerical accretion, the severity of the deception will increase overtime if an actor must lie again about the initial facts and the previous lies. As Bok (1999: 25) vividly puts it, "it is easy, a wit observed, to tell a lie, but hard to tell only one. The first lie 'must be thatched with another or it will rain through.'" Because the thatching lies are not independent from the previous ones, the severity of the deception will invariably increase as the lies add-up to form a more complicated situation. Indeed, there have been a number of cases in which the subsequent cover-up lies rather than the initial transgression caused the most damage to the organization (Partnoy, 2003; Elliot and Schroth, 2002).

Second, as discussed earlier in relation to incentives, it is unlikely that the underlying situation will be addressed if the lying continues, especially if it requires open and frank discussion among all stakeholders. Darley (1992, 1996) has demonstrated how the covering-up of evidence pointing to past harms will often perpetuate the practices that caused the harms in the first place. If the underlying situation deteriorates, as occurred in Enron, WorldCom and Lucent, more serious forms of deception will be required to foil detection by interested parties. Therefore, just like an untreated disease, the situation worsens overtime requiring not only more lies but also more severe ones.

Third, as the 'losses' that individuals and/or groups are hiding increase, their attitude towards risk changes. They are more willing to take greater risks, and therefore tell bigger lies. According to prospect theory (Kahneman and Tversky, 1979; Levy, 1992) "individuals will generally be risk averse when making choices involving gains (i.e., positively framed choices) but will take risks when making choices involving losses (i.e., negatively framed choices)" (Levi and Whyte, 1997: 794). This can become a downward spiral that sees increasing losses reinforce heightened risk-taking, which in turn results in further losses. The extremely risky deals, off-balance sheet vehicles and bewildering financing structures that Enron concocted when the company deteriorated is a good case in point (McLean and Elkind, 2004).

Proposition 2: **As organization actors continue to lie, the severity of their deception will increase.**

Pervasiveness of Deception

When the lying increases in severity, it also tends to become more pervasive within the organization as larger numbers of people get involved. Only in exceptional cases can a sole individual support serious deceit, with the example of Nick Leeson, who single-handedly bankrupted Barings Bank coming to mind. Usually, it is reasonable to expect that the more severe a lie becomes, the more likely it will transcend the span of control of a particular individual or sub-unit. That is, more people will need to participate in the deception when its severity outstrips the control of an individual or group in the organization. Overtime more organizational members will be persuaded, enticed, coaxed, threatened, or socialized to join in the deception. Resisting these enlisting processes is difficult for at least three reasons.

First, deception may be sanctioned, condoned or ordered by an authority figure (Brief *et al.*, 2001), making participation seem legitimate and often desirable (Kelman and Hamlton, 1989). As Cialdini, Petrova and Goldstein (2004) argue, "honest employees can be converted into wrongdoers in a number of ways, but the process often begins with peer pressure or a supervisor's direct request" (Cialdini *et al.*, 2004: 70). Second, enlisting processes are often couched in what Bandura (1990) calls 'hygienic language' that "provides a convenient device for masking reprehensible activities or even conferring a respectable status upon them" (1990: 31). Third, individuals might not be enlisted to do anything deceitful at first, but with time they drift along a 'continuum of destructiveness' until they are too involved to go back (Darley, 1992). This is what Cialdini (1996) calls the 'foot in the door' principle whereby a minor initial commitment positively primes the actor for a more significant related request. As the deceit gets increasingly serious and becomes part of unofficial operating procedure, it moves from a case of destructive deviance, where one person lies in contrast to the norm of honesty, to destructive conformity where deceit is the organizational norm (Warren, 2003).

Proposition 3: **As the severity of lying increases, so will its pervasiveness within the organization.**

Amplification through Organizational Complexity

In addition to the above, we propose that organizational complexity can amplify the escalation process by heightening the ease, severity and pervasiveness of lying. Organizational complexity connotes a significant level of differentiation and specialization within the organization in relation to profession, task, information access, technology and so-forth (Khandwala, 1977; Perrow, 1984; Dooley and Van de Ven, 1999; Thompson, 1967). We argue that a deep and complex division of labour can amplify the escalation of deception by facilitating further rationalization, creating low transparency and multiplying a lie many times over.

Organizational complexity may amplify the ease of further deception by increasing the propensity for rationalization. Most of the participants in the WorldCom case knew the company was in serious trouble, but the labyrinthine complexity of the deceit divided the everyday process of lying into less alarming acts (Jeter, 2003). These fragmented and complex networks diffuse the moral weight of the deception through compartmentalization. Individuals are more likely to rationalize their immoral behaviour if they perform only a small and isolated part of it (Darley, 1992). Actors tell themselves that their role is not that serious. Jackall's (1988) classic ethnographic account of a large finance institution demonstrates how ethical compunction is reduced when the job is divided into seemingly insignificant tasks distanced from the overall outcome (also see Bandura, 1990; Brief *et al.*, 2001; Schweitzer *et al.*, 2004). This is consistent with Bauman's (1991) argument regarding the complex chain of duties that allowed the holocaust to proceed in Nazi Germany: "Once isolated from their distant consequences, most functionally specialized acts either pass moral test easily, or are morally indifferent" (Bauman, 1991:101).

Organizational complexity can amplify the severity of deceit by reducing transparency, which provides space for more serious acts of wrongdoing. As the recent cases of large-scale corporate corruption illustrate, individuals and groups utilized convoluted accounting systems in order to conceal their activities. The resulting 'fog of complexity' (Elliot and Schroth, 2002) makes deception "difficult to control or understand as more activities are conducted out of the boundaries of normal managerial control" (Elliot and Schroth, 2002: 104). If also coupled with high job autonomy (Vaughn, 1990), organizational complexity can provide elaborate 'hiding places' that facilitates increased severity once the escalation process is underway. This is illustrated in the exceptional case of Barings Bank. When nobody noticed Leeson's initial act of fraud, he engaged in ever-greater forms of deception to cover-up the growing losses. According to Partnoy (2003), the reason Leeson's dishonesty ballooned out of control was because of his specialized and inconspicuous position in a vast bureaucratic structure. The lax control mechanisms proved fertile ground for Leeson's malfeasance. Ironically, a few months before the rouge trader began his fraudulent activities, Barings' opted against investing a small sum on computer software that would have detected the deception immediately (Partnoy, 2003).

Organizational complexity may also amplify the escalation process by multiplying a lie many times over into the future, and/or implicating other parts of the organization, thus increasing its pervasiveness. Because deceptive activities often take place at different levels of aggregation, complex structures can reverberate the deception as different departments or sub-units absorb the contaminated information when conducting their day-to-day operations. In this way, deception can also infiltrate future reporting. A lie told in the past by a few individuals can spread into the future making any effort for honest reporting misleading at best, useless at worst. In such a setting, even legal accounting activities will perpetuate the overall deception of the organization. According to McLean and Elkind (2004) this became apparent to US Government investigators in their effort to prosecute Enron:

> … the government was no longer focusing on narrow illegal acts. Instead, it was making the case that Enron was fundamentally a fraud – and it didn't matter if this particular accounting move, or that one, was technically legal. Taken in its entirety, Enron's accounting practices violated the law because they perpetuated fraud (McLean and Elkind, 2004: 414).

Proposition 4 follows:

> ***Proposition 4:*** **Organizational complexity amplifies the escalation process by increasing the ease, severity and pervasiveness of deception.**

Organization Level Deception and Feedback Loop

Having escalated in ease, severity and pervasiveness, deception can transform into an organization level phenomenon. Brief *et al*. (2001) and Baucus (1994) suggest that institutionalized illegality is qualitatively different to individual and/or group wrongdoing because it assumes a systemic and commonplace status. Similarly, when lying escalates to an organization level phenomenon, it is no longer an exception to operating norms but fundamental to them. The organization is characterized by destructive conformity rather than destructive deviance (Warren, 2003). In the Enron, WorldCom and Lucent cases it is possible to discern a kind of 'tipping point' (Gladwell, 2002; Shapiro, 2003) in which more of the organization is deceptive than not (in both qualitative and quantitative terms). Once lying is institutionalized within the structures and unofficial norms of the organization, it directly and indirectly affects much of day-to-day procedure. When escalation has reached this point, deception forms a background that positively reinforces continued escalation at each of the stages. This is denoted in our model by a feedback loop.

Organization level deception encourages newcomers and previously honest members to begin lying. While at some point an initial lie begins the process of escalation, once it is an organization level phenomenon, more first lies are likely. Socialization techniques like peer pressure will encourage deception at the individual level, and previously employed prospective rationalizations will function as readymade organizational 'scripts' (Gioia, 1992) that make it easier for individuals and/or groups to start lying. The absence of detection may confer an element of legitimacy on the deception. Moreover, the sheer momentum of the escalating system will quickly implicate individuals and/or groups in the lies of others. Failing to lie will then risk detection, censure from superiors and negative peer appraisal.

Proposition 5: **When deception is an organization level phenomenon, it is more likely that previously honest individuals and/or groups will begin lying.**

Organization level deception further increases the ease of successive lying through rationalization and incentives. Anand *et al.* (2004) indicate that the denial of responsibility is a prominent rationalization technique. It is easier to engage in wrongdoing if an actor feels that they have little choice in the matter because "everybody is doing it". If lying is an unofficial norm in the organization that is integral to its everyday functioning, then individuals and/or groups are more likely to rationalize via the denial of responsibility. Moreover, when deception is an organization level phenomenon, the incentive to lie again is greater. This is because the malfeasance is so fundamental that its discovery will jeopardize the very survival of the organization. Indeed, many of the corrupt individuals at Enron portrayed themselves as 'heroes' committed to rescuing the company.

Proposition 6: **The incentives and rationalizations for further lying will be greater when deception has escalated to an organization level phenomenon.**

Organization level deception further increases the severity of lying by instigating lax monitoring practices that would normally check unethical behaviour. We noted earlier that because complexity provides 'hiding places' there is more opportunity for lies to grow worse. When the organization itself has become a corrupt entity and deceit imbues the informal norms and structures of daily operating practice, the firm's willingness to police truthfulness at the individual and/or group level is likely to be less. This is evident in the Enron case where those responsible for internal monitoring did not adequately enforce existing practices lest they themselves were detected (McLean and Elkind, 2004). This laxity was exacerbated by Arthur Andersen's collusive unwillingness to activate correct auditing procedures (Bazerman, Morgan, and Lowenstein, 1997). As Enron's financial situation quickly deteriorated, Arthur Andersen's negligence actually encouraged greater forms of deceptive wrongdoing because actors knew they could get away with it (Cruver, 2002; McLean and Elkind, 2004).

Proposition 7: **Organization level deception will encourage more severe lying by instigating lax monitoring mechanisms.**

Organization level deception further increases the pervasiveness of lying through strong socialization processes. Emphasizing the institutional dimensions of corruption, Cialdini *et al.* (2004) argue that "unethical corporations do not merely select and retain dishonest employees; they create them too" (Cialdini *et al.*, 2004: 70). We earlier described how deception is made more pervasive through enlisting practices. Once deception is instituted within important parts of the organization and remains undetected by the public, it is likely that these enlisting practices will develop into full-blown socialization rituals (Abdolmohammadi, Read and Scarbough, 2003). Again, adapting Warren (2003), socialization helps transform destructive deviance into destructive conformity, in which an actor will feel deviant and abnormal *if they do not lie*. When deception becomes a dominant norm, socialization techniques assume an important maintenance role. Peer pressure, inculcation, normalization, etc. will incorporate still more people into the organization's deceptive culture (Brief *et al.*, 2001) and thus increase the pervasiveness of lying.

Proposition 8: **When deception is an organization level phenomenon, its pervasiveness will increase through socialization processes.**

FUTURE RESEARCH

The escalation model we have developed invites empirical research to test its suitability for generating and explaining data. But a number of challenges have to be addressed. Because the model identifies an overall process that is highly interconnected, it will be difficult to isolate and test any single proposal without duly considering the related proposals and phases they represent. As Langley (1999) argues, process data are notoriously difficult to gather because “process phenomena have a fluid character that spreads out over both space and time” (Langley, 1999: 692). A holistic approach to data collection is required. Moreover, because it is unlikely that researchers will capture the initial act of deception and follow its temporal development, data collection will usually begin either mid-way through the escalation process or even after it has completed its course. Coupled with the inherent ethical difficulties of gathering real time data concerning deceptive corruption, the model does appear to favour a retrospective analysis of events. The collection of retrospective data through case study interviews, document analysis and reports will require careful attention to possible interpretive bias. The reconstruction of past events in relation to a particular theory of development may run the risk of ‘self-fulfilling prophecy’ (Van de Ven and Poole, 1995) where researchers simply see what they want to see. We therefore recommend the use of falsification protocols when testing the predictive accuracy of the model.

Future research could provide more insight into the initial act of deception that begins the escalation process, especially in relation to sunk-costs. If the undetected lie is a precondition of escalation, then it must be severe enough for sunk-cost commitments to tempt the perpetrator to continue lying. How is this dynamic between severity and detection managed in the initial stages of the escalation process? For example, deceptive actors may attempt to enlist parties who would have otherwise raised the alarm (as illustrated in the Enron and Arthur Andersen case). Such enlisting tactics themselves would involve considerable risk of detection, and may too follow a pattern of escalation in which the enlisted party is increasingly implicated overtime.

More investigation is also required concerning the final stages of the escalation process. In a sense, our model identifies a self-perpetuating system in which lying increases in ease, severity and pervasiveness. But this process cannot continue indefinitely. Once deception is an organization level phenomenon, at what point does the escalation process result in crisis? Is there a threshold beyond which it is impossible to save the organization? When the lying has become so serious that public disclosure is inevitable, the ethical decision-making processes of individuals may change. It is possible that deeply implicated employees might continue to lie even after organization's collapse, while less involved employees 'come clean' when they perceive that detection is imminent. Although the vision of Arthur Andersen employees frenetically shredding documents comes to mind, whistle-blowing may also be likely in the final stages of the escalation process (Near and Miceli, 1995; Warren, 2003). Additional inquiry is necessary to understand the changing dynamics of deception and ethical reasoning during the terminal phase of the escalation process.

Is the propensity for the escalation of deception the same in different organizational or industry settings? For example, Baucus (1994) suggests that corruption is more likely in mature industries. Does this hold for deception and its escalation? Cross-sectional analysis of deceptive practices over a range of industries would provide a macro-framework for our model. One could argue that deceptive practices are more likely to escalate in high rivalry (Porter, 1980) and/or low munificence environments (Aldrich, 1979; Castrogiovanni, 1991), as financial expectations are more difficult to achieve, and therefore the pressure to deceive greater (Berenson, 2003).

Organizational complexity is identified as an important amplifying factor in the escalation process. At present the model treats complexity as a variable, but does the level of complexity have a proportional amplification effect on the ease, severity and pervasiveness of deception or is there a degree of unevenness? Future research can use established measures of organizational complexity (Dooley, 2002) to analyze its precise impact on the escalation process. Further more, we proposed that the isolation and autonomy afforded by organizational complexity may amplify the severity of deception. Does this involve an opposite force to the socialization mechanisms that can increase the pervasiveness of lying? While the former represents social isolation, the latter engenders social unity. Theories of networking in corrupt organizations (Brass *et al.*, 1998; Nielsen, 2003) might show how this tension is resolved as enlisting and socialization mechanisms spread through complex and loosely coupled organizational systems.

CONCLUSION

Our escalation of deception model contributes to the existing literature in four ways. First, it eschews static descriptions of lying by conceptualizing it as a process that changes overtime. While a lie may be a one-off event in corrupt organizations, the model pinpoints the factors that can give it temporal momentum. Second, it provides an analytically rigorous explanation of how the lying process can escalate and consume an organization, and gives a firmer theoretical basis to rather vague anecdotal terms such as the 'snowballing' or 'slippery slope' of deception. Third, the paper has isolated deception as a specific case of corruption that may function differently to other forms of organizational wrongdoing. The distinction between deception as the support to other corrupt activities and deception as the main act of corruption provides a nuanced understanding of lying specifically, and corruption more generally. And fourth, our paper supports the call for conceptualizations of corruption that emphasize contextual and organizational forces (Gioia, 1992; Brief *et al.*, 2001). While individuals can choose not to lie at any point in the escalation process, the model highlights the situational pressures that have them choose otherwise.

Finally, we feel that our paper has important implications for management practice. The main implication is that managers and other stakeholders should catch, stop, and reverse deception before the escalation process gathers momentum and it becomes an organizational phenomenon. As long as deception remains a form of destructive deviance rather that destructive conformity, we believe, it is reversible, the situation manageable and the organization salvageable (Baucus and Baucus, 1997). In order to prevent the escalation process managers should try to detect initial lies as soon as possible through rigorous monitoring systems, reduce the incentives and opportunities to rationalize lying, and enhance individual and/or group transparency through supporting both internal and external auditing mechanisms. These measures should help in any endeavour to prevent or curb the escalation of deception in organizations.

REFERENCES

Abdolmohammadi, M. J., Read, W., and Scarbough, D. P. (2003). Does selection-socialization help to explain accountants' weak ethical reasoning? ***Journal of Business Ethics***, 42, 1: 71-81.

Aldrich, H.E. (1979). ***Organizations and environments***. Englewood Cliffs, NJ: Prentice-Hall

Anand, V., Ashforth, B. E. and Joshi, M. (2004). Business as usual: The acceptance and perpetuation of corruption in organizations. ***Academy of Management Executive***, 18 (2): 39-53.

Ashforth, B. E and Anand, V. (2003). The normalization of corruption in organizations. ***Research in Organizational Behavior***, 25: 1-52.

Barnes, J. A. (1996). ***A pack of lies: Towards a sociology of lying***. Cambridge: Cambridge University Press.

Baucus, M. S. (1994) Pressure, opportunity and predisposition: A multivariate model of corporate illegality. ***Journal of Management,*** 20: 699-721.

Baucus, M. S. and Baucus, D.A. (1997). Paying the piper: An empirical examination of longer-term financial consequences of illegal corporate behavior. ***Academy of Management Journal***, 40: 129-151.

Bauman, Z. (1991). ***Modernity and the holocaust***. London: Polity.

Bazerman, M.H. (1994). ***Judgement in managerial decision making***. New York: John Wiley

Bazerman, M.H., Morgan, P.K., and Loewenstein, G.F. (1997). The impossibility of auditor independence. ***Sloan Management Review***, 38: 89-94

Bennis, W. (2002). Leading edge: The culture of candor. ***CIO Insight***, 8-18-02.

Berenson, A. (2003). ***The number: How the drive for quarterly earnings corrupted Wall Street and corporate America***. New York: Random House.

Blair-Smith, E. (2004). Former Enron exec admits lying about cash flow. ***USA Today***, 10-5-04.

Bok, S. (1999). ***Lying: Moral choice in public and private life***. 2nd Edition. New York: Vintage.

Brass, D. J., Butterfield, K. D. and Skaggs, B. C. (1998). Relationships and unethical behaviour: A social Network perspective. ***Academy of Management Review***, 23 (1): 14-31.

Bratsis, P. (2003). The construction of corruption, or rules of separation and illusions of purity in bourgeois societies. ***Social Text***, 21 (4): 9-33.

Brief, A.P., Buttram, R.T., and Dukerich, J.M. (2001). Collective corruption in the corporate world: Toward a process model. In M.E. Turner (Ed.) ***Groups at work: Theory and research,*** Mahwah, NJ: Erlbaum, pp. 471-499.

Carroll, J. (2002). The culture of lying. ***Boston Globe***, 7-30-02.

Castrogiovanni, G. J. (1991). Environmental munificence: A theoretical assessment. ***Academy of Management Review***, 16: 542 – 566.

Chugh, D., Banaji, M.R., and Bazerman, M.H. (2005). Bounded ethicality as a psychological barrier to recognizing conflicts of interest. In Moore, D.A., Cain, M., Loewenstein, G, and Bazerman, M, (eds.) ***Conflicts of interest: Problems and solutions from law, medicine, and organizational settings***. London: Cambridge University Press.

Cialdini, R. B. (1996). Social influence and the triple tumor structure of organizational dishonesty. In D. M. Messick & A. E. Tenbrunsel (Eds.). ***Codes of conduct*** New York: Russell Sage, pp. 44-58.

Cialdini, R. B., Petrova, P. K. and Goldstein, N. J. (2004). The hidden costs of organizational dishonesty. ***Sloan Management Review***, 45: 67-73.

Clark, M. (ed) (1983). ***Corruption: Causes, consequences and control***. New York: St Martins.

Clarke, F., Dean, G. and Oliver, K. (2003). ***Corporate collapse: Accounting, regulatory and ethical failure***. Cambridge: Cambridge University Press.

Cruver, B. (2002). ***Anatomy of greed: The unshredded truth from an Enron insider***. London: Hutchinson.

Darley, J.M. (1992). Social organization for the production of evil. ***Psychological Inquiry***, 3,2: 199-218.

Darley, J.M. (1996). How organizations socialize individuals into evildoing. In D. M. Messick and A. E. Tenbrunsel (Eds.) ***Codes of conduct***. New York: Russell Sage, pp.13-43.

Dooley, K. (2002). Organizational complexity. ***International encyclopedia of business and management***, M. Warmer (ed.) London: Thompson Learning, 5013-5022.

Dooley, K., and Van de Ven, A. (1999). Explaining complex organizational dynamics. ***Organization Science***, 10(3): 358-372

Donaldson, T. and Dunfee, T. W. (1994). Towards a unified conception of business ethics: Integrative social contracts Theory. ***Academy of Management Review***, 19 (2): 252-284.

Elangovan, A. R. and Shapiro, D. L. (1998). Betrayal of trust in organizations. ***Academy of Management Review***, 23 (3): 547-566.

Elias, N. (2000). ***The civilizing process***. Oxford: Blackwell Publishers.

Elliot, A. L. and Schroth, R. J. (2002). ***How companies lie: Why Enron is just the tip of the iceberg***. London: Nicholas Brealey Publishing.

Farrell, O.C. and Gresham, L.G. (1985). A contingency framework for understanding ethical decision making in marketing. ***Journal of Marketing***, 49: 87-96

Fukuyama, F. (1996). ***Trust: The social virtues and the creation of prosperity***: New York: Free Press.

Gioia, D. A. (1992). Pinto fires and personal ethics: A script analysis of missed opportunities. ***Journal of Business Ethics***, 11: 379-389.

Gladwell, M. (2002). ***The tipping point: How little things can make a big difference***. London: Abacus.

Goffman, E. (1959). ***Presentation of self in everyday life***. Harmondsworth: Penguin.

Granovetter, M. (1985). Economic action and social structure: A theory of embeddedness. ***American Journal of Sociology***, 91: 481-510.

Grover, S. L. (1993). Lying, deceit and subterfuge: A model of dishonesty in the workplace. ***Organization Science***, 4 (3): 478-495.

Grover, S. L. (2005). The truth, the whole truth and nothing but the truth: The causes and management of workplace lying. ***Academy of Management Executive***, 19 (2): 148-157.

Hunt, S. D. and Vitell, S. (1986). A general theory of marketing ethics. ***Journal of Macromarketing***, 6 (1): 5-16

Jackall, R. (1988). ***Moral mazes: The world of corporate managers***. Oxford University Press: New York.

Jeter, L. W. (2003). ***Disconnected: Deceit and betrayal at WorldCom***. New York: Wiley.

Jones, T. M. (1991). Ethical decision making by individuals in organizations: An issue-contingent model. ***Academy of Management Review***, 16 (2): 366-395.

Khandwalla, P. (1977). ***The design of organizations***. Harcourt Brace Jovanovich: New York.

Kahneman, D., and Tversky, A. (1979). Prospect theory: An analysis of decision under risk. ***Econometrica***, 47 (2): 263- 291

Kelman, H.C., and Hamilton, V.L. (1989). ***Crimes of obedience***. Yale University Press, New Haven,

Kramer, R. M. and Messick, D. M. (1996). 'Ethical cognition and the framing of organizational dilemmas: Decision makers as intuitive lawyers.' In D. M. Messick and A. E. Tenbrunsel (Eds.) ***Codes of conduct***. New York: Russell Sage, pp. 59-85.

Langley, A. (1999). Strategies for theorizing from process data. ***Academy of Management Review***, 24: 691-710.

Levy, A. S., and Whyte, G. (1997). A cross-cultural exploration of the reference dependence of crucial group decisions under risk. ***The Journal of Conflict Resolution***, 41: 792-813

Levy, J. S. (1992). An introduction to prospect theory. ***Political Psychology***, 13: 171-186

Levy, L. and Linden, E. (2002). ***The mind of Wall Street***. New York: Public Affairs.

Lewis, M. (1990). ***Liar's poker: Rising through the wreckage of Wall Street***. New York: Penguin.

McLean, B. and Elkind, P. (2003). ***The smartest guys in the room: The amazing rise and scandalous fall of Enron***. New York: Penguin Books.

Messick, D. M., and Bazerman, M. H. (1996). Ethical leadership and the psychology of decision making. ***Sloan Management Review***, 37 (2): 9-22

Miller, M. (1995). The Barings debacle. ***Los Angeles Times***, March 2: 12.

Mills, D. Q. (2002). ***Buy, lie and sell high: How investors lost out on Enron and the internet bubble***. Upper Saddle River, NJ: Prentice Hall.

Near, J. and Miceli, M. (1995). Effective whistle-blowing. ***Academy of Management Review***, 20: 679-708.

Nielsen, R. P. (2003). Corruption networks and implications for ethical corruption reform. ***Journal of Business Ethics***, 42: 125-149.

Partnoy, F. (2003). ***Infectious greed: How deceit and risk corrupted the financial markets***. London: Profile Books.

Perrow, C. (1984). ***Normal accidents***. Normal Books: New York.

Porter, M. E. (1980). ***Competitive strategy: Techniques for analyzing industries and competitors***. New York: Free Press

Reinstein, A. and McMillan, J. J. (2004). The Enron debacle: More than a perfect storm. ***Critical Perspectives on Accounting***, 15: 955-970.

Schweitzer, M. E, and Croson, R. (1999). Curtailing deception: The impact of direct questions on lies and omissions. ***The International Journal of Conflict Management***, 10: 225-248.

Shapiro, A. (2003). ***Creating contagious commitment: Applying the tipping point to organizational change***. London: Lightning Source.

Schweitzer, M. E., Ordóñez, L. and Douma, B (2004). Goal setting as a motivator of unethical behaviour. ***Academy of Management Journal***, 47 (3): 422-432.

Simons, D. (2002). WorldCom's convincing lies. ***Forbes***. 07-08-02.

Staw, B. M. (1981). The escalation of commitment to a course of action. ***Academy of Management Review***, 6: 577 – 587

Staw, B. M. and Ross, J. (1987). Behaviour in escalation situations: Antecedents, prototypes, and solutions. In L. Cummings, and B. Staw (eds.) ***Research in Organizational Behaviour***, Vol. 9. Greenwich, Con: JAI Press.

Staw, B. M. and Ross, J. (1989). Understanding behaviour in escalation situations. ***Science***, 246: 216-220.

Swartz, M. and Watkins, S. (2003). ***Power failure: The inside story if the collapse of Enron***. New York: Double Day.

Taylor, S.E. (1989). ***Positive illusions***. New York: Basic Books

Tenbrunsel, A. E. (1998). Misrepresentation and expectations of misrepresentation in an ethical dilemma: The role of incentives and temptation. ***Academy of Management Journal,*** 41 (3): 330-339.

Tenbrunsel, A. E. and Messick, D. M. (2004). Ethical fading: The role of rationalization in unethical behaviour. ***Social Justice Research***, 17: 223-236.

Tenbrunsel, A. E., Wade-Benzoni, K. A., Messick, D. M. and Bazerman, M. H. (2000). Understanding the influence of environmental standards on judgements and choices. ***Academy of Management Journal***, 43 (5): 854-866.

Thompson, J.D. (1967). ***Organizations in action: Social science bases of administrative theory***. McGraw-Hill, New York.

Trevino, L. K and Youngblood, S. A. (1990). Bad apples in bad barrels: A causal analysis of ethical decision making behavior. ***Journal of Applied Psychology***, 75: 378-385.

Unerman, J. and O'Dwyer, B. (2004). Enron, WorldCom, Andersen et al.: A challenge to modernity. ***Critical Perspectives on Accounting***, 15: 971-993.

Van de Ven, A. and Poole, M. S. (1995). Explaining development and change in organizations. ***Academy Of Management Review***, 20 (3): 510-540.

Vaughn, D. (1990). Autonomy, interdependence and social control: NASA and the Space Shuttle Challenger. ***Administrative Science Quarterly***, 25: 225-258.

Warren, D. E. (2003). Constructive and destructive deviance in organizations. ***Academy of Management Review***, 28: 622-632

Williams, R (ed) (2000). ***Explaining corruption***. Cheltenham: Edward Elgar.

Figure 1
Escalation of Deception