Why Lies Don't Pay in Negotiations and the Workplace

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Abstract

We discuss the consequences of undetected lies for professional relationships. Lying is common in various professional contexts and typically goes undetected. However, recent research on deception in negotiation reveals that, despite potential economic benefits, undetected lies have hidden relational costs. In our studies, lies were designed to enable lucrative economic deals, and lies typically remained hidden from unsuspecting targets. Nevertheless, lying undermined negotiators' satisfaction with their own deals and reduced their desire to interact with their counterpart again. We conclude that despite the potential short-term benefits of deception in negotiation, encouraging honesty in the workplace is crucial for building high-quality relationships and promoting employee engagement.

The temptation to lie lurks within many professional interactions. People exaggerate their qualifications to land jobs, take credit for others' work to get promoted, and fake alternate offers to strengthen a negotiating position. There are endless scenarios where lying can enhance one's position, possibly explaining why people tell 1-2 lies daily.[1] People even consider the ability to successfully deceive others a job skill in some industries.[2] Lies typically go undetected,[3] but most research has explored the consequences of detected deception.

Our research examines the consequences of undetected lies and reaches this conclusion: Undetected lies have hidden relational costs that warrant thinking twice before negotiators bend the truth.[4] Establishing high-quality relationships with employees, coworkers, managers, and clients is imperative to a healthy workplace culture. Studies by McKinsey suggest that poor relationships are strongly associated with other cultural problems.[5] As people become more satisfied with their interactions in the workplace, they are less likely to experience burnout, more inclined to help coworkers*, and more interested in fostering ongoing relationships*.[6,7,8] While undiscovered lies might not seem harmful, our research suggests that, in fact, they undermine the quality of relationships, potentially eroding an otherwise healthy workplace culture.

The Costs and Potential Benefits of Lies

Exposed lies damage relationships. Victims of lies engage in economic retribution against liars, reciprocate by deceiving liars, and never quite restore their trust in liars.[9,10,11] Still, most lies go undetected, and we know relatively little about the relational consequences of successful deceit.

Existing research suggests that undetected deception, besides its potential practical benefits, might be psychologically rewarding. For example, cheating to enhance job performance leads cheaters to see themselves as more intelligent.[12] Successfully cheating in private can feel thrilling and satisfying.[13] If lying to others can feel satisfying, then undetected lies could enhance the quality of relationships between deceivers and their victims. Might it be possible that, rather than harming relationships, undetected lies enhance them?

The Psychological and Relational Costs of Undetected Lies

We conducted four studies with 2,706 people in negotiation contexts to determine whether undetected lies help or harm relationships. Negotiations are competitive contexts where deception is rampant and often rationalized as a viable bargaining tactic.[14] Therefore, successful lies in negotiation contexts might be particularly likely to elicit positive emotions that enhance how satisfied deceivers feel about their relationship with their counterparts. In all our studies, lies went undetected by targets and enhanced liars' economic outcomes.

The first study paired 982 participants to negotiate over the hypothetical sale of a computer. In one condition, the buyer was unaware of a defect in the computer, presenting the seller with an opportunity to lie. In another condition, the buyer was aware of the defect, eliminating the chance to get away with a lie. After the negotiation, we asked participants about their satisfaction with the negotiated outcome, perception of the negotiation process, relationship with their counterparts, and view of themselves. Across the board, deceptive negotiators were less satisfied with the quality of the interaction than people without the chance to lie. This provided some preliminary evidence that undetected lies were harmful, not beneficial, to relationships.

In a second study, we examined the consequences of undetected lies for the quality of future interactions with unwitting victims. Participants completed an initial negotiation where they either did or did not have the opportunity to deceive a counterpart, like in the first study. They then conducted a second negotiation with the same person but did not have a chance to deceive. We then asked participants about their satisfaction with the second interaction before giving them a choice about whether to complete a third task with the same person. Once again, we found evidence that undetected lies harmed relationships. Although their deceit in the first negotiation went undetected, deceivers perceived the second interaction with the same person to be less satisfying than participants without an opportunity to lie. They were also less willing to work again with the colleague they deceived.

In two other studies, we replicated these effects in a context where participants could rationalize their lying as "following orders" by acting as agents negotiating on another's behalf. Still, we found the same pattern: Deceptive negotiators were less satisfied than honest negotiators after interacting with their counterparts, despite obtaining better deals. Consequently, they were more prone to avoiding future interactions with the deceived counterpart.

Why Were Undetected Lies So Damaging to Relationships?

Why did lies damage relationships despite going undetected? The answer lies in the emotional consequences of deceiving others. While liars occasionally felt happy (due to the thrill of getting away with an economically beneficial lie), undetected lies were consistently accompanied by more guilt than happiness. Guilt negatively colored how deceivers perceived the quality of their interactions with counterparts and, ultimately, their desire to work again with them. This pattern persisted among people who did not identify themselves as highly moral in character—a trait consisting of empathy, self-control, and defining yourself in terms of moral traits such as being kind, honest, and fair. Even at low-to-average levels of moral character, dishonesty produced more guilt than happiness. Higher monetary payoffs did not change this effect. Increasing the size of participants' financial rewards only exacerbated dishonesty-induced guilt.

Why Do People Lie Despite the Relational Costs?

Despite the relational costs of lying, most participants in our studies (approximately three-quarters) lied for economic gain when presented with the opportunity. People avoid lying so they can maintain a positive self-image and minimize guilt.[15] But even when they know they shouldn't, people are adept at preemptively rationalizing their dishonesty. For example, someone tempted to lie about their work experience in an interview might convince themselves that lying is necessary to "level the playing field" because other candidates lie too.

Implications for the Workplace

In a recent interview with George Stephanopoulos, Sam Bankman-Fried said that as CEO of FTX, it had been years since he had authentic relationships. One question is whether his misleading behavior contributed to his inability to form meaningful relationships. Relationships play an essential role in making work meaningful.[16] As tempting as it may be to lie to secure a job, attract a client, or strike a lucrative deal, undetected lies come with psychological costs and may even lead people to divest in the very relationships that make work rewarding. High financial stakes are unlikely to change this pattern.

Beyond the adverse impact on relationships, unchecked dishonesty can put entire organizations at risk. Although lies often go undetected, it only takes an isolated instance of uncovered dishonesty to damage a company's reputation irreparably.[17] Media reports of unethical behavior by a company's employees not only reduce the company's share prices[18] but can also undermine consumers' willingness to pay for its products.[19] Further, managers' failure to encourage an ethical climate can lead employees to leave the company due to a mismatch between their values and the unethical behavior they believe corporate leadership condones.[20]

Recommendations for Discouraging Unethical Employee Behavior

But aside from encouraging employees to behave ethically, what can managers do to discourage deception? We offer four suggestions. By following these recommendations, managers can promote an ethical climate, which could positively affect their organizations in other ways. Recent Gallup polls indicate worker engagement is declining while stress is at an all-time high.[21] For workplaces to create more engaging environments, encouraging honesty might be helpful. Ethical leadership increases employee commitment to the organization and support for leaders' policies.[22,23] Employees identify more strongly with ethical organizations, show greater commitment to those organizations, and request lower wages to work in better ethical climates.[24] For these reasons, we recommend that managers do the following to discourage dishonesty.

1. ***Be wary of performance-contingent rewards.*** Managers may want to reconsider the common practice of rewarding employees solely based on their ability to achieve performance-oriented goals. People are particularly prone to engaging in unethical behavior when verging on falling short of a goal,[25] and performance-contingent rewards are notorious for promoting unethical behavior.[26] Rather than rewarding employees solely based on performance contingencies, managers might instead reward employees for exhibiting sound decision-making, pursuing opportunities for professional development, and complying with organizational ethical policies. While attending to whether employees are producing key outcomes is important, attention must also be paid to the process by which outcomes are achieved, and any goals that managers set must be reasonable and attainable.
2. ***Consider what behaviors you reward.*** Organizational cultures are created through the people managers select, promote, and reward.[27] If managers wish to promote honesty, then selecting for moral character (even if it doesn't affect guilt and satisfaction *after* lying), making moral character a requirement for promotion, and rewarding people for honesty even when it is economically costly are critical. Further, rather than treating employee talent as fixed, managers can foster a culture of greater integrity, trust, and commitment by rewarding employees for demonstrating learning and professional growth.[28]
3. ***Encourage open discussions about ethics.*** When employees perceive that ethical issues are openly discussed at work, they tend to behave more ethically.[29] Managers could benefit from opening up about situations where they have been tempted to behave unethically and encouraging employees to openly discuss ethical dilemmas as temptations arise. Open discussion between employees about what is acceptable to tell a client or how they should approach a negotiation can normalize making honesty a priority when dealing with others. Keeping the company's ethical values salient can help employees avoid a pure cost-benefit analysis that might promote lying and help them focus on the bigger picture of how their behavior fits broader values.[30]
4. ***Place employees in mindsets and situations that encourage ethical decisions.*** Managers should also be mindful of how subtle

factors like emotions, framing, and even the mode of communication might sway employees' ethical judgment. Too often, employees conceptualize the workplace as a "game" (i.e., an adversarial context with arbitrary, artificial rules), and when they do, they tend to be more dishonest.[31] Simple steps managers can take to enhance employees' likelihood of making ethical decisions include using language that focuses them on the prospect of "gaining" (rather than "losing") a sale[32] and encouraging them to conduct business face-to-face when possible.[33,34]

Conclusion

According to our data, most people experience dissatisfaction with negotiations and have lower-quality relationships after lying to others. Even if people don't identify as highly moral, we expect them to feel as dissatisfied with their deals and relationships as anyone else after lying. We also found evidence that lying damages relationships even when liars act on others' orders. Managers of customer-facing employees would be well-advised to consider the implications of these findings. While it might be financially rewarding in the short run to turn a blind eye while employees adopt ethically questionable practices to secure clients or upsell customers, these practices might only contribute to employee stress and further reduce worker engagement. When Wells Fargo was exposed in 2016 after spending years pressuring employees into using deceptive practices with unrealistic sales goals, its troubled relationship with its own employees was also exposed.[35] In an interview with NPR, one former employee even reported adverse physical reactions to the stress he endured after working for Wells Fargo for a year.[36] For managers hoping to enhance their bottom line by reducing employee stress and enhancing worker engagement, honesty is the best policy.

Authors

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Endnotes

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