VIOLATIONS OF ETHICAL EXPECTATIONS:
THE TOXICITY OF ORGANIZATIONAL
PAIN AND SOME REMEDIES

DIANE L. SWANSON
ROBERT J. PAUL

Kansas State University

ABSTRACT
In this article we address organizational pain as the buildup of sadness, frustration, bitterness, and anger among employees who perceive that they have been treated unfairly in the workplace. We submit that such emotionally charged reactions can lead to legal and ethical toxicity or organizational pain that stems from employers’ breaches of legal and ethical standards, respectively. Although both forms of toxicity are detrimental to organizational life, we submit that employers’ failure to meet workers’ expectations of ethical treatment is especially problematic. We elaborate on this thesis by describing some causes, consequences, and costs of ethical toxicity and recommending some methods of prevention and remedy. We conclude by commenting on a role for public policy.

Management scholars have long recognized that life in organizations can cause undue emotional stress and tension for employees [1, 2]. Given this state of affairs, Mintzberg proposed that managers should be prepared to act as disturbance handlers [3], a function Frost and Robinson observed foreshadowed the role of toxic waste handler, or the employee who voluntarily shoulders the sadness, frustration, bitterness, and anger endemic to organizational life [4]. Although few scholars dispute the importance of this role of waste handler, the whole idea of organizational pain is still more of a metaphor than valid research construct. The
problem is not simply that organizational pain or toxicity is so intangible. After all, management scholars try to identify and measure abstract organizational topics all the time. For just one example, several studies were conducted on the correlation between organizational citizenship and organizational effectiveness, even though research on citizenship has not yet reached theoretical status [5]. These studies became possible only after organizational citizenship and effectiveness had been formulated into visual images or constructs that could be related to practical experience. Once organizational concepts have been refined sufficiently, scholars and practitioners tend to take them more seriously.

We seek to bring organizational pain into sharper focus by conceptualizing it as a subject for research that can be aimed at practical solutions or remedies. This endeavor is important, given all indications that vast amounts of resources are wasted as by-products of toxic organizational pain. Indeed, the traditional focus managers have placed on the bottom line seems truly ironic, given all the unproductive toxic pain unaccounted for in large-scale organizations.

We approach the conceptualization of organizational pain with a five-part research strategy. First, we describe toxicity briefly as an outgrowth of research on organizational pain. Second, we cast this research in terms of employee psychological contracts, distinguishing legal from ethical toxicity; the former stemming from employers’ violations of law and the latter from their transgressions of ethical norms. Although both violations of workers’ psychological expectations can cause organizational pain, we focus on ethical toxicity as a matter of scope and also because it is more difficult for managers to recognize and account for than is its legal counterpart.

The third part of our research strategy is to link some causes of ethical toxicity to organizational consequences and costs. This discussion, by no means exhaustive, is meant to be an agenda for future research. Fourth, we revisit the toxic waste handler’s role in preventing and remedying organizational pain. Finally, we comment on a role for public policy.

CASTING ORGANIZATIONAL PAIN AS TOXICITY

The pervasive nature of organizational pain stems from the fundamental political struggle in organizations over who controls the labor process [6]. According to organizational scholars and other social scientists, broad societal forces shape the ongoing struggle between employers and workers [7-9]. These forces include:

1. cycles of organizational restructuring, including mergers and downsizing
2. the increased use of monitoring and other techniques of controlling workers
3. technological innovations that allow highly skilled workers to be replaced with less-skilled labor
4. depprofessionalization or the reduction in the skill, knowledge, and ability required by workers to perform their jobs successfully and the displacement of employees due to technological obsolescence [6, p. 222].

The inevitability that external forces will disrupt the already tense relationship between employers and employees contributes to and exacerbates organizational pain or the sadness, frustration, bitterness, and anger endemic to organizational life.

Although some scholars take the topic of organizational pain seriously, practicing managers have been quick to refute their concerns, claiming that research on organizational pain ignores the bottom line and yields politically correct rhetoric instead of useful policy [4]. Our response to that is that the bottom lines of financial statements do not account for the invisible costs of organizational pain or productivity lost. We argue that a narrow focus on profit amounts to and reinforces managers’ illusion of scarcity. But first we delineate organizational pain into two main classes of toxicity.

**CLASSIFYING ORGANIZATIONAL TOXICITY**

**Violations of Employee Psychological Contracts**

Organizational behaviorists view the employment relationship as constituted by psychological contracts or beliefs about what each party is entitled to receive and obligated to give in exchange for the other party’s contribution [10]. According to this perspective, a violation of a psychological contract occurs if one or both parties judge an unfulfilled expectation as serious [11-14]. The violation can be transactional or relational. Transactional violations are infractions of specific monetizable obligations between two parties who have short-term limited involvement. A transactional violation would occur if a firm defaulted on payroll, since the obligation to pay current salaries is a short-term financial liability. In contrast, relational violations are breaches of broad, open-ended, long-term understandings based on socioemotional as well as monetizable elements [14]. These breaches are interpersonal in nature, such as a decline in mutual trust that mars the employer-employee relationship over time.

The affinity between organizational pain and relational contracts is that violations of employee expectations can easily provoke strong emotional feelings of betrayal and psychological distress that give way to anger, resentment, and a sense of injustice or harm [15]. Detailed later, such reactions among employees lead to undesirable organizational effects, such as decreases in productivity and increases in absenteeism, grievances, and sabotage. We will show in more detail later that breaches of relational understandings are especially problematic, because they are more ambiguous and emotionally charged than their transactional counterparts. Moreover, since relational contracts have longer time horizons,
transgressions of them can prompt feelings of injury that persist indefinitely as ethical toxicity, discussed next.

**Distinguishing between Ethical and Legal Toxicity**

Although both transactional and relational violations involve ethical norms, the law is a system of *codified ethics* meant to govern exchanges, whereas ethical norms not incorporated into law also influence expectations of reciprocal obligations [16]. Given this distinction, we use transactional and relational contracts as approximate points of departure for distinguishing legal from ethical violations of the employment contract in Figure 1. This distinction is for analytical clarity and does not rule out the existence of overlapping areas, such as violations that involve both legal and ethical norms simultaneously or ethical breaches that become legal infractions over time. Indeed, such gray areas represent a special challenge, which we discuss later.

Although both legal and ethical violations of the employment contract are problematic, legal infractions are patently easier for employers to recognize. For

<table>
<thead>
<tr>
<th>Breach of Employee Psychological Contract</th>
<th>Legal</th>
<th>Ethical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Causes</td>
<td>Infractions of Law</td>
<td>Abusive Supervision and Unfair Punishment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Job Insecurity and Workload</td>
</tr>
<tr>
<td>Toxic Waste Handlers</td>
<td></td>
<td>Formal:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ombudsmen</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Human Resource Specialists</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Informal:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Whistleblowers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Internal Dissidents</td>
</tr>
</tbody>
</table>

Figure 1. Classification of organizational toxicity.¹

¹This typology is not exhaustive, in that we have not classified all toxic waste handlers and causes of organizational toxicity.
example, if certain employees are asked to work more than 40 hours a week without receiving overtime pay, company lawyers and labor union officials can quickly point to a disregard of the Fair Labor Standard Act or related state laws. These same officials, shown in Figure 1 as formal or official toxic waste handlers, are also trained to recognize other legal violations, such as disregard for affirmative action or employee health and safety. When these waste handlers tackle issues of legal toxicity, they do so because it is expected of them, according to their job description. In this regard, their actions are not voluntary per se. Nor are the actions of human resource personnel and ombudsmen who are expected to resolve ethical toxicity that stem from interpersonal conflicts or misunderstandings. While it is true that human resource specialists are trained in matters of law, they are not hired to fight court cases or dispute contracts. Instead, they are expected to oversee relational contracts so that ethical misunderstandings do not escalate into legal, transactional battles. This behavior differs from the actions of whistleblowers or other internal dissidents who voluntarily shoulder the pain endemic to organizational life. To sum up, we have refined the definition of the toxic waste handler to distinguish between formal (expected) and informal (voluntary) handling of organizational pain.

Although legal toxicity can persist in organizations, the exacting nature of contracts, along with the threat of punishment embodied in law and the potential visibility of court hearings and media coverage, suggests that employers will recognize legal dilemmas more readily than ethical breaches. Given that ethical relationships are more ambiguous and open-ended than legal violations, our focus is on clarifying the nature of ethical toxicity and the roles of employees who attempt to deal with it. Our thesis is that even though both transactional and relational violations cause organizational pain, relational transgressions are especially toxic. The reason is that breaches of relational covenants are less visible than violations of legal transactions and, therefore, less easily deterred or remedied. Hence, they more readily permeate organizational life as ethical toxicity that can accumulate indefinitely.

**Some Causes of Ethical Toxicity**

*Abusive Supervision and Unfair Punishment*

Abusive supervision is sustained hostility aimed at workers, including public criticism, loud and angry tantrums, rudeness, inconsiderate treatment, and coercion [17-19]. Not only are these behaviors abusive, they tend to be enduring as well. For one thing, it is difficult for the targeted employees to terminate relationships in which they are economically dependent on their abuser [20]. Moreover, abusive supervisors usually do not recognize or take responsibility for their hostile behavior, much less seek assistance [21]. Hence, abuse of hierarchical power goes unchecked in many employment relationships. Not surprisingly,
unfair punishment is often part and parcel of the abuse [22]. Indeed, unjust punishment can be understood as a tangible aspect of abuse, given that most retribution is a public exercise of power designed to channel behavior into controllable or acceptable patterns of behavior [23].

**Job Insecurity and Work Overload**

To reiterate, organizational pain is exacerbated by downsizing or the planned elimination of jobs that is integral to cycles of corporate restructuring. This is no small matter, given that downsizing has been a recurring phenomenon that has affected more than 85 percent of Fortune 1000 firms and more than 43 million jobs in the United States since 1979 [24-27]. While employers often tout downsizing as improving efficiency, research suggests that it does not necessarily yield lower costs and higher profits. Indeed, some studies indicate that only 43 percent of the companies studied reported improved operating profits after downsizing while, at the same time, 77 percent reported a decline in morale among the remaining employees [28]. These unsettling statistics suggest that many employees who remain after downsizing will feel betrayed or sold out. The negative psychological impacts are especially severe when downsizing fails to yield economic gains [25, 29].

Closely associated with downsizing, and often a consequence of it, is the problem of work overload. As a rule, employees who remain after downsizing are expected to carry a greater workload, work more hours, and be more productive than before [30]. Understandably, many will perceive that they are on the receiving end of unfair treatment or breaches of their psychological contract, perceptions that can lead to several adverse organizational consequences and costs.

**Some Consequences and Costs of Ethical Toxicity**

Among the many detrimental consequences that can be linked to breaches of relational contracts, abusive supervision stands out as contributing to depressive climates and causing demoralized employees to exit organizations at high rates or to stay and exhibit dissatisfaction, distrust, alienation, and poor motivation [23, 31-34]. Employees who face downsizing and work overload react similarly [6, 35, 36]. Generally speaking, any perception of injustice can decrease good citizenship behaviors among employees [37, 38]. Their dissatisfaction can even degenerate into theft [39], sabotage [6], and violence [36, 37]. These and other symptoms of organizational pain undermine the internal solidarity organizations need to respond effectively to external environments [40-42]. Consider, for instance, a case where employees need to work together cohesively to improve customer relations to prevent a rival firm from capturing greater market shares. If these employees are adversely affected by a toxic organizational climate, untold opportunities for better customer relations will be missed because of alienation, distrust, lack of motivation, and other symptoms of organizational pain. The rub is
that the firm’s profit-and-loss statement will not capture all the financial damage or reasons for it. The toll in human suffering will also be unaccounted for.

Perhaps the least-understood cost of toxicity is the creativity lost. A climate rife with alienation and distrust does not make a good laboratory for developing the innovative products and technology that enhance corporate profits and the quality of life in society. These innovations require that employees invest enormous amounts of time and psychic energy in an organization as well as exhibit deep, all-inclusive commitment to their work [43]. Employees distracted by organizational pain are not likely to exhibit such loyalty.

**Management’s Illusion of Scarcity**

The costs of ethical toxicity must be staggering. That practitioners fail to recognize these costs is due in part to a maxim of traditional economics that takes organizational resources to be constant or fixed in the short run. The concomitant assumption of managers is that organizational constraints are practically immutable. Given this habit of thought, few decision makers grasp how toxic pain saps employee vitality and causes organizations collectively to register suboptimal performance far from what economists call the “efficient frontier.” In other words, toxicity is profoundly wasteful, both for organizations and society at large. This state of affairs flies in the face of practitioner allegations that concern for organizational pain is unrealistic. Given the unproductive, painful costs of toxic pain, it is equivalent to believing in an illusion of scarcity. While it is true that managers do not have access to unlimited resources and budgets, some organizational constraints can be altered, and human resources freed up, if toxic pain can be deterred or remedied.

**ORGANIZATIONAL REMEDIES AND PUBLIC POLICY**

Since breaches of ethics are more difficult to recognize than violations of law, ethical toxicity can accumulate in organizations indefinitely. The good news is that some toxicity can be prevented or remedied by policy makers in private and public sectors.

**The Responsibilities of the Executive Manager**

When toxic pain permeates organizations, the chief executive officer can be likened to the head of a sick body that has been weakened by damaged relationships among its members [42].

*Use Toxic Waste Handlers Effectively*

The executive managers who oversee sick enterprises need to recognize that some toxic waste handlers are already functioning *ad hoc* to soften and absorb
existing organizational pain [6]. The executives can leverage the potential for organizational wellness by using these and other toxic waste handlers more effectively. The first step, according to Figure 1, would be to recognize that waste handlers can be mobilized in a) legal and ethical domains in b) formal or informal capacities. These distinctions can serve as guidelines for executives who want to delegate toxic problems to appropriate waste handlers. For instance, the exacting nature of legal contracts implies that only employees in formal roles, such as company lawyers and labor union officials, should be asked to handle transactional problems. Similarly, human resource specialists and ombudsmen should be tasked with handling ethical dilemmas, such as interpersonal conflicts, formally and according to their job descriptions.

Although not shown in Figure 1, the roles of waste handlers can overlap, as in the case of a union official called upon to mediate an ethical issue related to a contract dispute, such as workers’ allegations that management had engaged in subtle retaliation. Gray areas notwithstanding, executives need to differentiate between the tasks of legal and ethical waste handlers whenever possible. Otherwise, toxic waste handlers are easily rendered ineffective because of role conflict and lack of appropriate expertise. For instance, a company lawyer who aggressively defends against employees’ charges of illegality would find it difficult to exhibit the impartiality and patience needed to mediate employee claims of abusive supervision and unfair punishment [44]. And even if internal attorneys did attempt to straddle both roles, the aggrieved employees would undoubtedly perceive them to be in cahoots with the allegedly abusive supervisors. As a result, trust and cooperation would break down further, leading to a new cycle of toxicity.

It is a “no win” situation for waste handlers to tackle legal and ethical toxicity simultaneously, and those who try are doomed to fail [4]. Executives should try to avoid this unworkable dilemma by delegating ethical issues to waste handlers adept at gaining employee trust and preventing relational breaches from escalating into legal snafus. Desirable outcomes are more likely if employees perceive that the waste handlers are not one-sided or co-opted by managerial interests [45]. To help ensure success, managers and rank-and-file employees should select ethical waste handlers from a list of jointly-approved consultants.

If executives use formal waste handlers effectively, there will be less need for whistleblowers and other internal dissidents to deal with toxicity unofficially. Even so, some informal waste handlers will remain indispensable, given the ubiquity of organizational pain. This brings us to the fair reward of all waste handlers as yet another responsibility of the executive manager.

**Reward Toxic Waste Handlers Fairly**

Toxic waste handlers often go unrecognized, undervalued, and even discredited for what is essentially their good citizenship [38]. Those who excel at their assigned work while also attempting to ease organizational pain in unofficial
capacities are especially vulnerable to feeling unappreciated and overburdened with responsibilities. The executive manager should vigilantly try to reward these employees in some manner. Otherwise, the perception that waste handlers are exploited can be construed as a subtle form of administrative abuse that will undermine any espoused policy of fairness. The ethical consistency of leadership is at stake. If the contributions of informal waste handlers are ignored or taken for granted, employees will perceive mixed messages about the executive manager’s intent to deter organizational pain.

One way to reward employees who handle toxic waste unofficially is to reward them publically, perhaps even to promote them to supervisory positions, sending a message that minimizing organizational pain is an important criterion for success within the organization. Ideally, a committee of rank-and-file workers should have serious input into any award nominations and selections to prevent administrative biases and favoritism from marring the process.

Put Ethical Goals Into Practice

If ethical goals are not put into practice, they will function as mere window dressing or superficial impression management [46]. Some ethical goals that executives can translate into practical means for deterring or remedying organizational pain follow.

Promote justice, build trust, and empower employees—The criteria for selecting supervisory personnel should include their aptitude for promoting justice [47]. Subsequent training should reinforce this aptitude by conveying that abusive supervision and unfair punishment will not be tolerated. And, unless the chief executive’s own behavior reflects these espoused guidelines, the ethical goals will not embed themselves firmly in the organization’s culture. After all, most employees emulate what the executive does, not what s/he says [41]. Notwithstanding the importance of executive role modeling, ethical goals espoused by top management should be carefully articulated as a code of ethics that indicates how employees can access formal waste handlers, redress violations, and register appeals [48]. The optimal scenario is for equitable and timely resolution of violations to become the norm while communication among employees and supervisors constantly improves [47].

Since effective communication helps build trust, the benefits of deterring ethical toxicity could be exponential. As Figure 1 conveys, trust is highly salient whenever social exchange elicits expectations of reciprocity [49, 50]. The executive manager who recognizes the nature of this social bond can improve organizational wellness by enhancing trustful communication. In terms of practice, s/he should institutionalize programs and procedures that empower employees to have greater input into decision processes [51-53]. As a matter of personality, the executive should put aside his/her ego and welcome truthful communication
from employees, instead of encouraging sycophancy and superficial impression management [40].

The top manager should foster an emotional atmosphere where truth, confidence, and constructive employee initiatives can flourish [54, 55]. Again, such atmosphere is more conducive to innovations and creativity than those permeated with toxic pain. A healthier climate also fosters organizational effectiveness by reducing the rate of turnover among employees [56], heightening their commitment to the organization [57-59], and enhancing internal solidarity [54, 55]. In the final analysis, executives can immunize organizations against a lot of costly pain by promoting justice, building trust, and empowering employees.

**Align the expectations of employees and supervisors**—Since toxicity stems from perceived violations of psychological contracts, executives should try to align the expectations of employees and their supervisors whenever possible. Instituting job previews and orientations of new employees can help workers develop realistic expectations of the employment relationship from the start [60, 61]. Managers should also seek feedback from employees during exit interviews. Yet exit surveys are limited in their ability to capture endemic ethical problems, given that their questions usually deal with specific programs and benefits. The executive who is serious about deterring toxicity will arrange for employees to give their perceptions of the employment contract periodically via open-ended questionnaires that guarantee respondent anonymity. The point is to persuade workers to give truthful assessments of the employment relationship without fear of retaliation.

**Ease the pain of job insecurity**—Employers should ease the pain of job insecurity whenever possible, including giving advance notice of layoffs so that workers can find other jobs in a timely way. Employers might also minimize the need to dismiss regular employees during financially hard times by attempting to use temporary workers during periods of growth. Since some layoffs are unavoidable, employers should proactively plan to retrain displaced workers and offer them outplacement assistance and severance allowances whenever feasible.

**Ease the pain of work overload**—The toxicity of work overload as a result of downsizing poses a special challenge. One tactic for easing the burden for workers who remain after downsizing is to hire temporary employees to help with the extra work. The problem with this remedy, however, is that most employers who have reacted to financial pressure by downsizing will not want to spend discretionary money on temporary help. This brings us to an important caveat: There is no reason to be overly optimistic that employers will take on the responsibility of easing the pain of job insecurity and work overload as a matter of policy. Decision makers in the private sector are necessarily limited in their abilities to rectify problems of retrenchment, especially those brought about by their own errors in planning. To make matters worse, job insecurity and work overload are
periodically exacerbated by fluctuations in the business cycle. As such, these causes of organizational pain lend themselves to public policy remedies.

**The Role of Public Policy**

The idea that public policy can deter the buildup of organizational pain is not exactly new. Government programs aimed at smoothing out the recurring trauma of business cycles have long existed; they include unemployment compensation and the retraining of and relocation of displaced workers. The justification for these programs is the philosophy that business and government are engaged in a social contract or partnership of mutual obligations to serve the greater good [62, 63]. Even the most ardent advocates of capitalism believe that some of the problems caused by the private sector should be ameliorated by public policy [64]. The expectation that government will fulfill its obligation to society is particularly compelling whenever problems such as downsizing and work overload defy private sector solutions.

Another generally accepted maxim of capitalism is that public policy oversight and intervention are needed to ameliorate the dilemma of economic scarcity. The corollary is that government should find ways to combat the propensity of large-scale organizations to convert valuable resources into useless toxic waste. This recalls our earlier observation that scarcity is overstated to the extent that managers fail to address the fundamental causes of organizational pain.

Yet another rationale for public policy is that toxic waste handlers in private organizations can be co-opted by vested interests, especially when ethical leadership is lacking. Along these lines, government oversight is needed to countervail a disturbing paradox of democratic capitalism, which is that tyrannical abuse is routinely allowed in organizations [31, 65-67]. Government programs should redress this problem by promoting justice and rights for all employees and deflecting some of the pain that organizations otherwise would generate. State governments in particular should target organizational toxicity, given that the broad scope of the federal government hampers its ability to respond to employee problems. One approach would be for each state to offer employees free legal advice and mediation under the auspices of a human rights commission. This arrangement would reflect the belief that the psychological contract between employers and employees is but a microcosm of the larger covenant of reciprocal obligations that exists between a society and its organizations.

**SUMMARY**

We have categorized organizational pain according to violations of employees’ psychological expectations of legal and ethical treatment. We focused on breaches of ethics, since these can go virtually unchecked while toxicity saps organizations and whole societies of scarce resources. To underscore our thesis that ethical
toxicity is vastly unproductive, we discussed some of its causes, consequences, and costs and gave recommendations for prevention and remedy. Ultimately we view the responsibility for detoxifying organizations as residing in the offices of chief executives, with enlightened oversight and intervention coming from public policy.

ACKNOWLEDGMENTS

We gratefully acknowledge the helpful comments and suggestions from the editors and reviewers. We also thank Kyle Area and Annette Hernandez for help with technical aspects of the manuscript and Natalya Sidorovskaya for assistance with research.

REFERENCES


33. D. Elisburg, Workers’ Compensation Issues for Psychologists: The Worker’s Point of View, in L. Murphy, J. Hurrell, S. Saute, and C. Puryear Keita (eds.), Job Stress


Direct reprint requests to:

Professor Diane L. Swanson
College of Business Administration
Department of Management
401 Calvin Hall
Kansas State University
Manhattan, KS 66506
e-mail: swanson@ksu.edu