

## FEATURE ARTICLE

# How to keep employees from gaming the system

James B. Rieley

When employees are faced with conflicting goals, they may devise solutions that make it appear as though they are following official policies and procedures when, in fact, they are manipulating the system for their own end. Such gaming of an organization's systems can be counterproductive and costly. To discover where gaming might occur, managers must fully understand how work gets done in their organization. This requires a systematic analysis of the cause-and-effect relationships that underlie the barriers to organizational effectiveness.

## 1 | INTRODUCTION

Ever since human beings first devised methods for getting work done, they have looked for ways to game those very systems—that is, to manipulate a process or structure to achieve their own goals while appearing to strive toward those of their firm. This can happen in any organization, regardless of its size, sector, or geography, whether for-profit or not-for-profit. Gaming often lurks below the surface of daily routines, avoiding detection and preventing an organization from realizing its potential.

This counterproductive practice can be prevented, however. To start, organizational decision makers must acknowledge the fact that gaming is probably taking place in their company right now. Then they must learn how to systematically analyze the organizational dynamics that may lead to conflicting goals, thus identifying the areas where employees might feel most tempted to game the system.

## 2 | TENSION OVER CONFLICTING GOALS

The extent to which a system can easily be gamed became apparent to a group of international business advisory consultants who were preparing for a meeting with a potential government client in Washington, DC. After one of them had heard that a competing

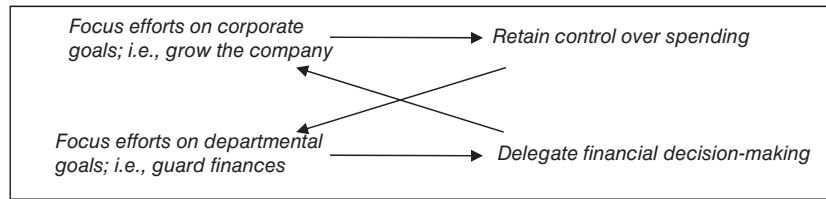
consultancy was going to be facilitating a meeting at the Pentagon, several phone calls ensued, which resulted in an invitation to observe the meeting. Two staff members were assigned to attend.

Expectations concerning the trip were low, and basically divided almost equally between two possible outcomes. First, it would be a good opportunity to watch a competitor in action. Second, as specialists in systems thinking and system dynamics, the international business advisors were interested in exploring the dynamics at play during the meeting.

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During the plane ride, the international business advisors reviewed what they knew about the upcoming meeting. They had learned that several years earlier, the Pentagon's procurement staff had needed to reduce the amount of money that was being spent on weapons and weapons systems. This decision was clearly political, and one that would not be easy to implement.

## EXHIBIT 1 Structural tension dynamics



A Congressional committee had authorized funds to bring in a large consulting firm to figure out how to do this. This decision to save money by green-lighting the expenditure of a pile of money to hire an outside consultancy to figure out how to do it is a prime example of structural tension between conflicting goals.

**Exhibit 1** illustrates this dynamic. An organization has two sets of goals that are important, or at least appear to be important: corporate goals—that is, growing the company—and departmental goals—the need to stay within prescribed budgets. One way to achieve the goal of growing the company is to delegate financial decision making; but the way to achieve the goal of keeping departments from overspending is to retain control over spending. If the organization's leaders retain control over spending (thereby achieving the corporate goal), that will cause problems in attaining the goal of guarding finances, which entails delegating financial decision making. Tension arises because the achievement of one goal impedes the organization's ability to meet the other goal.

The same dynamics resulted from the Congressional decision to have procurement personnel in the Pentagon reduce spending (**Exhibit 2**). Tension arose because the Pentagon could not save money while spending more money. The irony in this story is that although some Congressional representatives were keen to reduce Pentagon procurement costs, they were fine with retaining a costly consulting service.

Before the consultants that were going to observe the meeting arrived, they also had learned that their competitor had put together a set of incentives for the Pentagon to reduce its weapons costs. According to the information they had, procurement personnel would receive a cash bonus for cost reductions made by the suppliers they dealt with. On the surface, this seemed like a good idea: A procurement manager has to buy things from a supplier; each time the manager can get the supplier to lower the price of what the manager is buying, the manager gets a cash bonus. There was, however, a major flaw in this strategy.

Government suppliers of weapons and weapon systems have quite a bit of control over how the

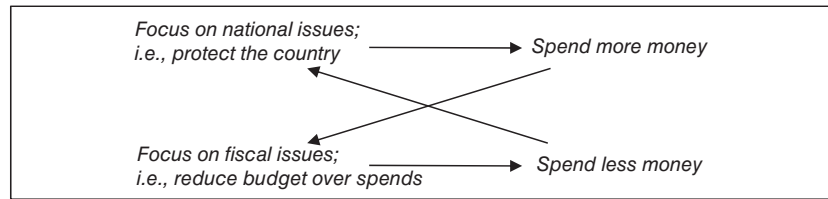
procurement system works. In most cases, weapons suppliers operate in an environment in which there is little competition. Their products are typically patented and identified as a purchasable option for government, and they often specify that they must be the sole suppliers of certain items. When procurers are told that there is only one option for buying a product, they have little to no leverage when negotiating costs.

When the meeting facilitated by the major consultancy was about to begin, the two international business advisors were told that they would not be permitted to speak or ask questions. Therefore, they sat in the back and took notes. One consultant took notes in the form of bullet-points that highlighted key points that were discussed. The other consultant's notes looked more like a plate of spaghetti, with variables connected by arrows all over his paper.

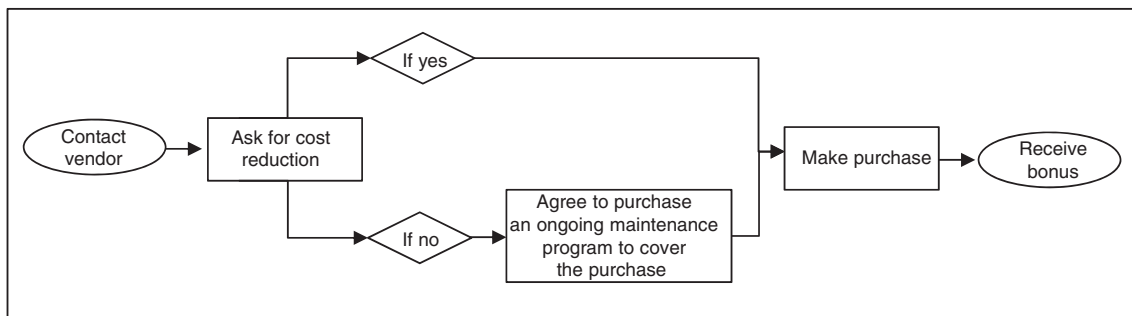
*Tension arises because the achievement of one goal impedes the organization's ability to meet the other goal.*

In terms of form, the facilitator's presentation was good. It outlined the initial charge that the government had given the consultancy and described the set of incentives that had been developed. Next, the presenter explained that although many thousands of dollars in incentives had been paid to procurement staff members, costs had increased. Specifically, although the purchase cost of the weapons and weapon systems individually had gone down, the total ownership costs that were an outcome of the purchase had gone up. This revelation was met by quite a few groans from the various military people bedecked with medals and gold braid who were in the room. The facilitator quickly went on to explain that the consultancy had been monitoring the situation and was prepared to install a new set of incentives to keep costs from increasing.

## EXHIBIT 2 Procurement structural tension dynamics



## EXHIBIT 3 Gaming the procurement system



When the meeting was over, the two observers compared notes. Aside from being mystified by the logic behind the consultancy's decision to add more incentives to incentives that clearly were not working as intended, they were intrigued: What was causing the incentives to actually work against their stated goal?

### 2.1 | Dealing with conflicting choices

The two observers had been invited to the meeting by an Assistant Secretary of Defense, who asked them what they thought about what had just been presented. He asked them to try to figure out why costs were still rising, and gave them permission to speak with several of the procurement people who had benefited from the incentive program. It did not take the observers long to figure out what was going on.

In the first interview, the procurement person candidly explained how he had been able to reduce the purchase cost of the items he was buying and, consequently, receive an incentive bonus, even though the total ownership cost of the purchases was increasing. He said that his team was simply “gaming the system.”

He said that when he and his coworkers heard about the new procedure that they were supposed to put into

place, most of them knew it “would not fly” with the vendors. They also realized that if they insisted on a cost reduction from their vendors, they “would be screwed” because the specific weapon or weapon systems being negotiated were the only ones they were permitted to buy—and the vendors knew that. But since the procurers would get a cash bonus for each cost reduction, they really wanted to get the cost reduction program accepted. Since those two parameters did not go together, they looked for a way that would satisfy both the government and the vendor.

The procurement staff member went on to explain that a colleague noted that the actual procedure that they had been given stated that they were to “reduce the purchase cost” of the weapons and systems that they were buying. So, if a vendor declined to reduce the price of its product, the procurement staff would offer to sign an ongoing maintenance contract for the item being purchased. By doing this, they could tick the “get a cost reduction on the purchase price” box while enabling the vendor to not lose any money (**Exhibit 3**).

Gaming the system entails using the rules and procedures that are meant to protect a system to, instead, manipulate the system to achieve a desired outcome. In the case of the government procurement system, the system being manipulated was the set of policies and

procedures that had been introduced to the procurement team to obtain cost reductions on purchases of weapons and weapon systems. The procurement people were able to game the system to achieve *their* desired outcome, which was the potential for receiving a cash bonus after cost reductions had been achieved.

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After all the interviews had been conducted, the observers went back to the notes that they had taken during the previous day's presentation. Clearly, the consultancy's proposal of a set of new incentives would only stimulate additional gaming of the system. Although the Assistant Secretary of Defense agreed and said he appreciated the observers' efforts, he added that the additional incentives would most likely be implemented because the orders from Congress stated that the purchases had to be made while reducing their cost.

Such conundrums often result in system gaming. When people are faced with two conflicting choices, they may devise solutions that make it appear as though they are following official policies and/or procedures while manipulating the system for their own ends. In the case of the government procurement team, applying an incentive program seemed like a good idea but was, in fact, a dis-incentive to balance conflicting goals. The only way the staff members and their managers could have seen this would have been by systemically viewing the dynamics at play. This would have opened the possibility of resolving the conflicts between the goal differences, thus eliminating the desire to game the system.

### 3 | GAMING IN THE PRIVATE SECTOR

A similar solution involving conflicting goals arose in a personnel-intensive global organization that also was trying to figure out how to save money. After a meeting of the senior management team, the head of finance proposed cutting down on expenses associated with having

employees fly throughout Europe and the United States to meet with clients. The company policy of allowing employees to fly business class seemed to be a good target.

A quick online search of ticket prices showed the finance head that the company would save a substantial amount of money by switching to economy travel. Before the meeting ended, a new policy was developed, stating that airline travel must be booked at "the lowest cost available." The policy was communicated to the workforce the next day.

Although the new policy did not make employees happy, on the surface it appeared to make sense and promised to reduce costs. In practice, however, the new policy opened the door to gaming the system.

Those who frequently travel know that booking at the last minute can often result in fares that are almost the same, regardless of seating class. It is also commonly known that economy seats typically sell out more quickly than business class seat. Consequently, economy seating may not be available at the last minute. It did not take long for employees to figure out how to abide by the new policy *and* continue to fly business class. All that they had to do was wait until the very last minute to book their flights.

*The relationship between gaming the system and organizational alignment and employee satisfaction should not be underestimated.*

Two months after the new policy had been implemented, the head of finance had to tell the senior management team that travel costs had not decreased and had, in fact, seen several increases. At first, some less-than-kind comments were muttered about employees not following the new policy, but the finance director assured his colleagues that the policy was, indeed, being followed. When he asked a staff member to investigate further, he learned about the last-minute booking loophole.

Though from different sectors, the air travel and weapons procurement scenarios are similar. In both cases, a policy had been instituted that some employees found difficult to follow to the letter. Consequently, they sought a way to have it *appear* as though they were being compliant. In reality, they had figured out a way to

manipulate the system so that they could achieve the outcomes that *they* were after.

This dynamic plays out in countless settings around the world every day of the year. To avoid setting this trap for themselves, decision makers need to ask:

- How can we know if gaming the system is a risk in our organization?
- How can we tell where gaming the system might appear in our organization?
- What can we do to stop the members of our organization from gaming the system?

## 4 | THE RISKS OF GAMING THE SYSTEM

Gaming the system can be a risk in any organization of any size and from any sector. The potential for gaming the system increases as two key organizational indicators go down: organizational alignment and employee satisfaction (**Exhibit 4**). The relationship between gaming the system and organizational alignment and employee satisfaction should not be underestimated.

The reason this relationship can be problematic is clear when you look at what the two metrics really mean in an organization. Organizational alignment is a key metric that reflects how well managers and employee understand, support, and are committed to the stated organizational vision and strategy, as well as the demonstrated behaviors of the senior management team. If managers and employees do not understand or are not committed to what the desired future of the company is, it is unlikely that they will put forth the effort needed to achieve that vision. If managers and employees are not clear on how an organization will move toward this desired future (the strategy), or do not believe it is the best strategy, they will begin to feel less committed and, consequently, reduce the amount of effort they are

willing to put forth to ensure that the strategy succeeds. Finally, if the demonstrated behaviors of senior managers do not resonate with employees as being congruent with organizational values, the relationship between management and employees is likely to suffer.

*To discover where gaming might occur, managers first need to fully understand how work gets done in their organization.*

In an organization in which alignment begins to slide, regardless of the reason, the risk of gaming the system will increase. The same holds true when employee satisfaction declines. Employees who are less than content with the environment in which they work will begin to either look for employment elsewhere, or begin to look for ways to restore the work environment that they prefer.

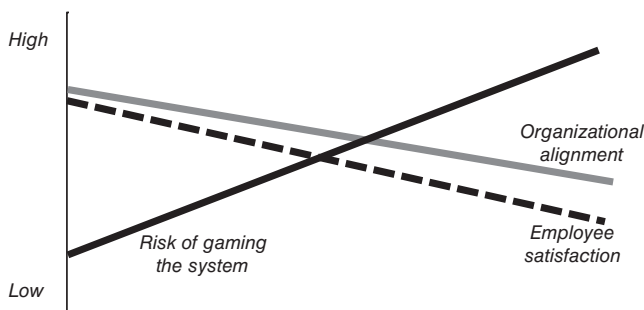
## 5 | WHERE GAMING MIGHT OCCUR

Just as gaming the system can occur in any organization, it can occur in any part of an organization—anywhere from an executive office to a janitor's room, among people who design and create products or services and those who deliver them. Gaming the system does not require a university degrees or any special training. It happens in any environment where people are unhappy and would rather not have to deal with organizational change.

To discover where gaming might occur, managers first need to fully understand how work gets done in their organization. This does not mean who was in charge of the organization, or even who was in charge of getting work done—just *how* it gets done.

When businesspeople are asked to draw a diagram of how work is done in their organization, they typically sketch out an organogram—a hierarchical tree diagram. These drawings typically show a box at the top labeled CEO, with direct reports identified in boxes on the level below. Below each direct report comes a vertical column of boxes, some with names and some without. Some of the columns may have more boxes than others. As detailed as the illustration might be, however, it does not answer the question, “How does work get done?”

**EXHIBIT 4** Gaming the system and employee issues







effectiveness falls, the desire for change rises. Using simple variables with no built-in direction (as in “more organizational effectiveness”), the drawing represents the structure that drives behavior. With an illustration like this, it is far easier to figure out behaviors that might point to where gaming the system might occur, as well as strategic risk areas.

**Exhibit 6** shows some of the areas that could be ripe for the activities associated with gaming the system. They are identified by the behaviors associated with how work actually gets done in the organization, such as “frustration,” “efforts to consolidate turf position,” and “external pressure (real and perceived).” These areas closely match the dynamics associated with employee satisfaction and organizational alignment.

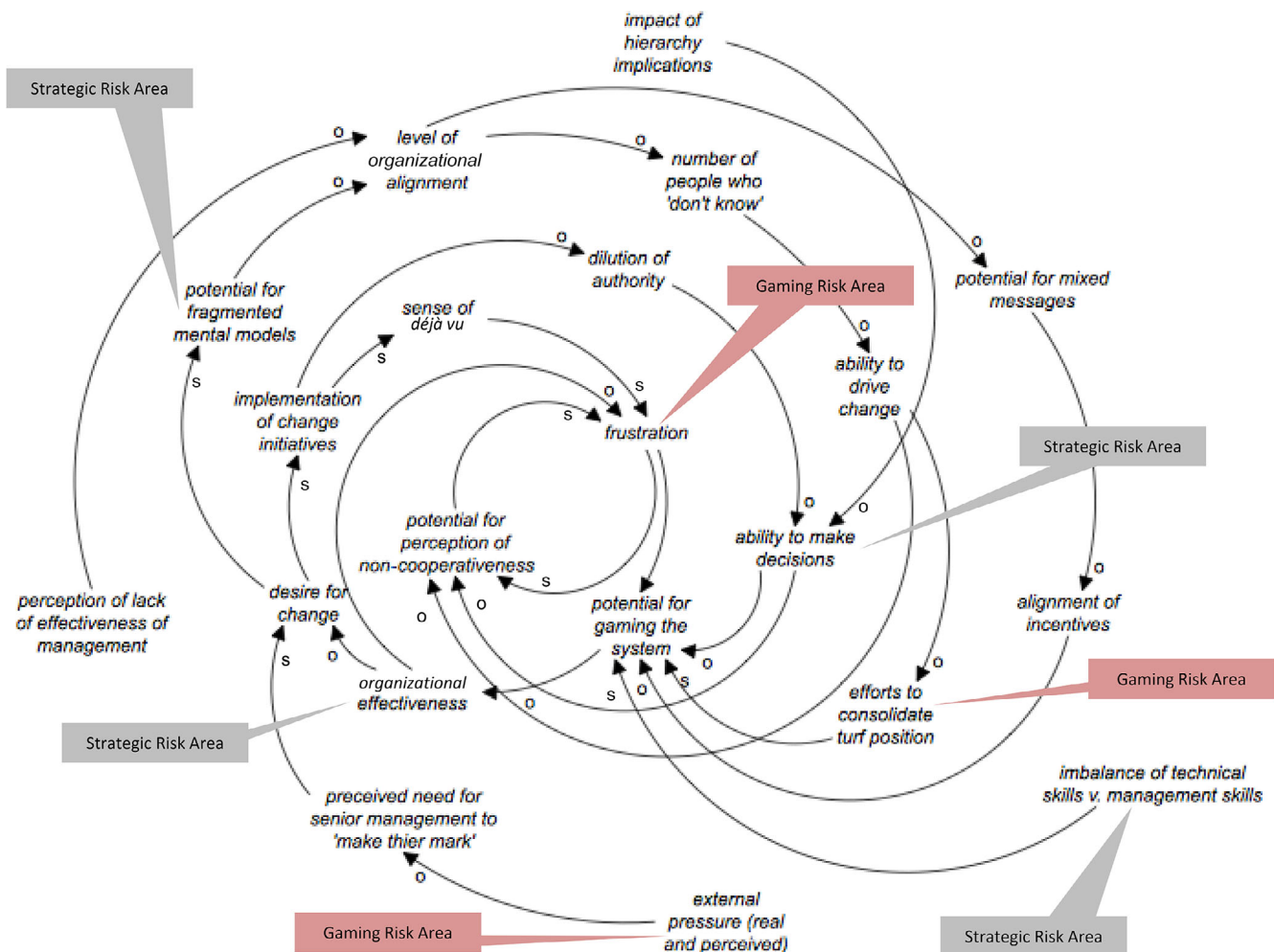
Making a diagram that explains how work actually gets done in an organization can illuminate behavioral areas within an organization that could sabotage strategic efforts. The behavioral strategic risk areas identified in

Exhibit 6 include “potential for fragmented mental models,” the “ability to make decisions,” “organizational effectiveness,” and “imbalance of technical skills versus management skills.” By following the arrows, a reader can see how gaming the system can be devastating to strategic efforts and, over time, lead to further gaming of the system.

When employees begin to game the system, it is often difficult to detect. When it is discovered, there is usually an effort to stomp it out. Therefore, those engaged in gaming the system will look for ways to *appear* that they are doing what is expected and to show that other issues are stymieing their efforts.

Ultimately, gaming the system can play out on a wide scale, costing a company millions of dollars and irreparable damage to its brand. That is what happened when the British arm of Hoover launched a promotion awarding airline tickets to anyone who bought a particular vacuum cleaner. As expected, sales soared. The problem was that

**EXHIBIT 6 Risks to how work gets done**



[Color figure can be viewed at [wileyonlinelibrary.com](http://wileyonlinelibrary.com)]

the total cost of the airline tickets exceeded the sales revenue derived from the promotion, and the increase in demand resulted in increased production costs. Moreover, as the value of the airline tickets exceeded that of the vacuum cleaners, many customers were buying the vacuum cleaners solely for the premium and then disposing of them in the second-hand market, which depressed sales of new models. Negative publicity concerning customers' difficulties in getting their tickets further damaged the firm's reputation, and the business unit ultimately was sold (Watkis, 2019).

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Although the Hoover promotion in the United Kingdom did stimulate sales, clearly no one bothered to think through what could be some of the unintended consequences of the promotion. This resulted in "one of the greatest marketing disasters of all time" (Chan, 2004). Both the Hoover and Pentagon experiences illustrate the serious impact that gaming the system can have on an organization.

## 6 | HOW TO STOP GAMING

The first step in putting an end to gaming the system in an organization is admitting that it can, and does, occur. Not talking about gaming will not make it stop. The worst thing that can take place in an organization is *not knowing*. Finding out that gaming the system is taking place certainly is not great news, but knowing about it does give managers the opportunity to do something about it.

One of the best ways to *know* about gaming the system is to put it on the agenda for management team meetings. The logic of doing this is based on the concept that management teams are responsible for making decisions that will help the organization realize its potential. Talking about gaming the system as a probable risk can help eliminate the factors that may contribute to it, or mitigate their impact. But if gaming the system remains a topic that is never discussed, that ability will be lost.

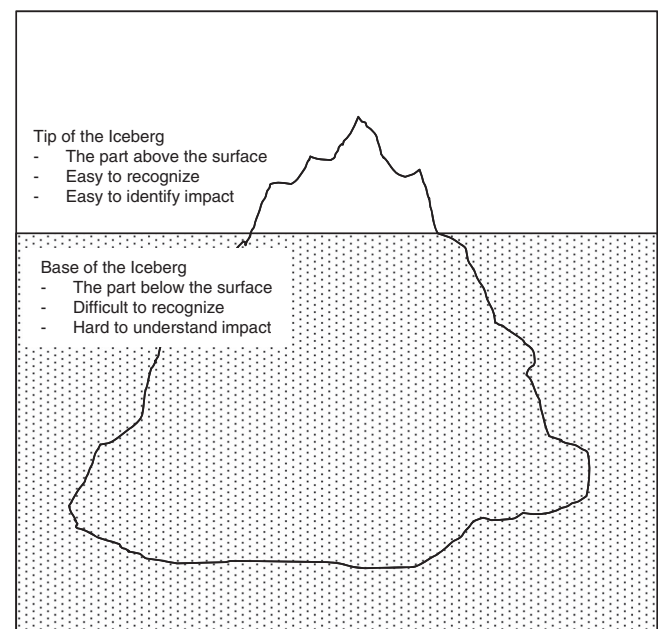
Once the concept of gaming the system is on the table, a logical next step is to ask two simple questions: What are we trying to achieve with our plan? What will happen when we implement our plan?

Typically, management should know the answer to the first question, especially if the people responding to this question are the same ones who came up with the plan. The second question may result in a set of different answers, for people tend to think in terms of levels. Taken together, those levels can be compared to an iceberg (Exhibit 7). When the question "What will happen when we implement our plan?" is asked, one level of answers will be easy to recognize and identify. Lying beneath the surface, the other level of answers will not be easy to spot. Therefore, when managers ask, "What will happen when we implement our plan?" they also need to be willing to ask themselves, "What else don't we know that we need to know?"

The answers to "What are we trying to achieve with our plan?" and "What will happen when we implement our plan?" can be presented in a bullet-point list or as a diagram that resembles a plate of spaghetti. Although the bullet-point list will be helpful, the diagram will prove far more effective, as it demonstrates the cause-and-effect relationships of the answers.

Exhibit 8 illustrates the answers in addressing the question, "What are we trying to achieve with our strategic plan?" The team charged with the development of the plan began by identifying some of the variables that

**EXHIBIT 7 Iceberg model**





could change when the strategy was rolled out. A variable is something that could get stronger, weaker, bigger, smaller, faster, or slower, or change in any other way. After the variables are identified, the relationship between them begins to be identified, with an arrow going from one variable to another, showing that a variable is driving the outcome of the variable that the arrow points to.

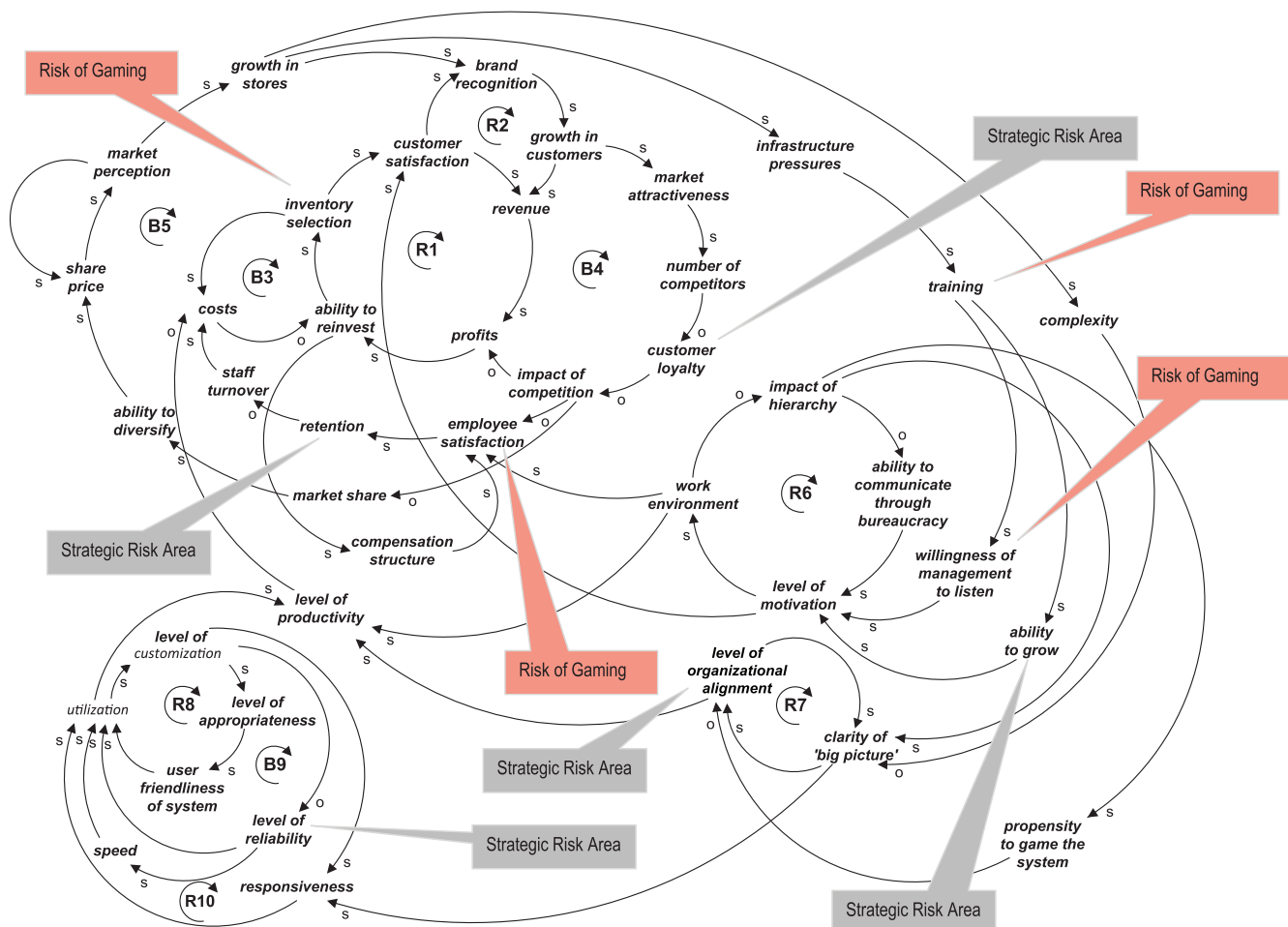
Identifying the relationships between variables that represent answers to “What are we trying to achieve with our plan?” makes it possible to see how these organizational variables interact. This enables managers to not only find the strategic risk areas, but also the variables that represent risks of gaming the system. These are areas in which there is leverage that can be used to improve processes and/or procedures that affect systems. Identifying these areas is important because what managers often think are the clear, obvious, and intuitive areas are actually not where leverage lies (good leverage or bad leverage). By identifying the

relationships between organizational variables, it is possible to see the leverage areas, even if they represent counterintuitive options.

When identifying causal relationships, it is important to remember some key points. First, the amount of effort needed to graphically identify the answers to the two questions is minimal. Initially, however, this is a process that is best learned with the help of a trained facilitator whose main responsibility is to ensure that all perspectives are represented in a completed diagram.

Second, a completed cause-and-effect relationship diagram is a powerful tool for validating a strategic effort and clearing up ambiguity concerning why an organization is doing what it is doing. Misalignment results in confusion and misconceptions about the purpose of strategic and other initiatives. Additionally, it often results in adversarial relationships between departments and business units, usually over budget issues. All these dynamics lessen an organization's ability to realize its potential over time.

#### EXHIBIT 8 What are we trying to achieve with our strategic plan?



[Color figure can be viewed at [wileyonlinelibrary.com](http://wileyonlinelibrary.com)]

Third, gaming the system is symptomatic of an organization in which some managers and employees believe that management is not competent to lead. This is because the decisions being made at the uppermost levels are perceived to be not well thought out, as evidenced by the presence of the gaming activities. As soon as management is perceived as incompetent, individual and collective efforts begin to decrease, creating an environment in which managers and employees are not committed to where the organization is going or how it will get there. This lack of commitment leads to more gaming, as these managers and employees may appear to comply with job assignments and responsibilities. As already shown, appearing to be compliant is not the same as being committed.

Fourth, identifying the cause-and-effect relationships within an organizational operating environment can be extremely helpful in uncovering real or perceived barriers that could be slowing down or blocking organizational initiatives. The issue of real versus perceived barriers should not be underestimated. Managers and employees each have their own sets of beliefs and assumptions about what is good and bad, right and wrong, logical and irrational. And because of these belief and assumptions, sometimes what is perceived to be a barrier can be shown to be only symptomatic of a barrier and not actually a barrier itself. Being able to help managers and employees see the same picture of how things get done in an organization is the first step to removing real *and* perceived organizational barriers.

The issue of gaming the system in organizations is serious and should be not taken lightly. This means that organizational decision makers need to be open about the fact that it could be taking place right now in their

company or, at the least, might eventually surface. Those same decision makers also need to take steps to either prevent gaming the system or to mitigate its impact—that is, if they truly wish to create an environment in which their organization can fully realize its potential.

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**How to cite this article:** Rieley JB. How to keep employees from gaming the system. *GBOE*. 2020;39(4):15–24. <https://doi.org/10.1002/joe.22009>