

**Goal Displacement:  
Assessing the Motivation for Organizational Cheating**

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#### Abstract

A major problem in assessing bureaucratic performance is the difficulty in judging the final social *outcomes* stemming from the work of public agencies. As a result public agencies are frequently evaluated based on the *outputs* they produce. Agency outputs (e.g., criminal cases solved, inspections) are easier to measure than the actual contributions agencies make to desired social outcomes (e.g., preventing workplace discrimination, protecting the environment). When agency performance is evaluated in terms of numerical outputs, bureaucrats have an incentive to maximize outputs, regardless of whether maximizing outputs is the preferred strategy for achieving desired social outcomes (a form of goal displacement). This incentive to maximize outputs may lead to organizational cheating, where public agencies purposely manipulate output levels to portray their work in the best light possible.

This study examines the problems of goal displacement and organizational cheating in Texas public schools. Specifically, we examine the degree to which school districts cheat to manipulate student pass rates on standardized exams. School districts “cheat” by liberally exempting certain students from these exams in hopes of raising overall district pass rates. Scarce institutional resources and extreme task demands are associated with cheating. From a management perspective this study demonstrates the problems in implementing performance standards. From an academic perspective it provide the first theory about when and why organizations cheat.

## **Goal Displacement:**

### **Assessing the Motivation for Organizational Cheating<sup>1</sup>**

Policy making at all levels of government has become much more complex over the past three decades. Governments are responsible for maintaining economic stability, combating racial discrimination, providing a safety net for the poor, educating citizens, and protecting consumers from unfair business practices. Political actors identify problems and create public policies to address them but lack the time and expertise to become day-to-day implementors of policy. Rather than implement programs themselves, political actors rely on bureaucracies to translate abstract public policies into functioning programs.

While time constraints and lack of expertise in particular policy areas cause political actors to give bureaucratic organizations the authority to translate public policies into functioning programs, the involvement of political actors in the policy-making process does not stop once this discretionary authority has been granted. With grants of authority comes the expectation that public agencies will perform well in translating public policies into working programs. Concern over bureaucratic performance has spawned various tools for monitoring the work of public agencies. Legislatures often scrutinize the performance of agencies through oversight hearings and review of agency budget requests. Policies sometimes contain “sunset” provisions, where the performance of bureaucracies in addressing certain problems is evaluated after a set period of time to determine if programs are working and should be continued.

One far-reaching technique for assessing the performance of public agencies called policy

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<sup>1</sup>All data and documentation necessary to replicate this analysis are available from the authors.

monitoring has recently been proposed (Wood and Waterman 1994). The policy monitoring framework suggests that political institutions should collect and review data on the activities of public agencies. Wood and Waterman propose, as an example, that data on the enforcement patterns of federal regulatory agencies, such as number of inspections or fines levied per quarter, might be considered relevant performance indicators. Once these data are gathered, objective analysts review the data and report the results to elected officials who then determine whether any corrective action needs to be taken.

While monitoring techniques such as legislative oversight and policy monitoring seem straightforward, the existence of clear, precise standards for evaluating public programs varies a great deal from agency to agency. Some agencies, termed “bottom line” agencies by Khademian (1995; Meier, Polinard, and Wrinkle 1999), have clear and objective standards for assessing performance. Many public agencies, however, lack such standards because they are charged with addressing complex problems in society such as racism, poverty, drug abuse, and crime. Determining causation in such areas is infinitely complex (Goodsell 1994, 92). What effect, precisely, do bureaucracies have in ameliorating these problems? The answers may never be clear given that the contributions bureaucracies make toward solving these problems are interwoven into complex networks of explanatory factors (Downs 1967). For complex social problems, precise measures of bureaucratic performance may be impossible. Add complex policies to the competing and contradictory goals that characterize public programs, and the task becomes Herculean. The performance of private corporations is relatively easy to evaluate given their one central goal--profit making. In contrast, the performance of public agencies is harder to evaluate because they have many bottom lines--social, political, and economic--making it almost

impossible to develop simple quantitative measures of how they perform (Stillman 1987, 177-8).

Given the difficulties in systematically assessing the ultimate ends of bureaucratic activity, political actors rely on short-hand techniques to provide them with information about how agencies are performing. Rather than measuring the final *outcomes* of bureaucratic activity, those who evaluate the performance of public bureaucracies often pay more attention to the *outputs* these agencies produce. The major problem with evaluating agency performance based on outputs rather than outcomes is that attaching importance to these measures may lead to goal displacement as agencies become more concerned about generating numbers that please political officials, rather than devoting their energies toward achieving more meaningful policy outcomes. Because performance measures are used to evaluate the work of bureaucracies, fears of negative evaluations may lead administrators to devote more attention to how they can maximize their ratings on performance measures, regardless of whether such behaviors contribute to or detract from the achievement of desired policy outcomes.

A commonly used example of goal displacement involves the classification of crimes by law enforcement agencies. Law enforcement agencies are normally evaluated by how well they solve crimes rather than the level of public safety. Because burglaries and break-ins are generally quite difficult to solve, law enforcement agencies may treat reports of these crimes as unfounded rather than classifying them as real crimes. Whereas the probability of catching a burglar during or after the act is generally quite small, the probability of catching drug dealers and prostitutes committing crimes is generally much greater. Thus, to ensure high clearance rates, law enforcement agencies may turn their attention toward “easy” crimes like prostitution, rather than difficult ones like burglaries where the probability of successfully solving cases is generally

lower (Stone 1988,141).<sup>2</sup>

The above example suggests how incentive structures can generate goal displacement in public agencies. Aside from anecdotal evidence like this, virtually no research has systematically evaluated how goal displacement influences the performance of public agencies. This study seeks to fill that gap by assessing goal displacement in a set of public agencies. Specifically, this study examines whether school districts in Texas try to manipulate the administration of standardized academic tests in order to enhance their performance ratings. First, a theoretical examination of goal displacement and the techniques public agencies use to manipulate performance measures is presented. Second, the paper takes an in-depth look at the factors that motivate school districts and other public agencies to engage in such cheating. After discussing the variables and model used to assess school districts' attempts to manipulate outputs, results from a regression model are presented. The paper closes by discussing ways in which incentive structures and resource allocation can mitigate the problem of goal displacement in public agencies.

### **Goal Displacement and Organizational Cheating**

The establishment of performance criteria may prompt public agencies to lose sight of final policy outcomes as they strive to maximize their performance ratings (Blau and Meyer 1971, 103; Downs 1967, 146). This pressure to produce desired outputs could lead to organizational cheating where agencies purposely engage in behaviors that will improve

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<sup>2</sup>The self-selection of crimes that are relatively easy to clear was a concerted effort of the FBI under J. Edgar Hoover (Poveda 1990). Bank robbery and kidnaping, highly visible but relatively easy to solve, were part of the FBI's jurisdiction. Many other crimes of a similar "federal" nature but more difficult to solve were not classified as federal offenses. The FBI resisted any enforcement efforts in drug control, as an example, until the 1980s.

performance ratings at the expense of working toward the achievement of more desirable policy outcomes (Lynn 1996, 116-7). We define organizational cheating as an attempt to manipulate performance criteria and identify three major forms of organizational cheating below: 1) cutting corners; 2) lying; and 3) biasing samples.

The first way public agencies may cheat to enhance their performance ratings is by cutting corners or doing sloppy work. Many public agencies are evaluated based on their productivity. How many inspections are performed per month? How many graduates has a high school produced? How many fines have been levied against offending parties? In cases like these, administrators may adopt a “more is better” mentality where emphasis is placed on the production of outputs without regard to the quality of agency activity (Levine, Peters and Thompson 1990). High schools may graduate illiterate students simply to push their graduation rates higher. Regulatory agencies may resort to quick and dirty inspections to increase the overall number of inspections they make as a way of looking tough on the regulated; during the 1960s, for example, several housing inspectors were found guilty of inspecting houses for the FHA from their cars (Wolman 1971). Efforts at cutting corners may be due in part to finite agency resources. Where resources are limited but the production of outcomes is highly valued, agencies may spread themselves too thin in order to address as many cases as possible, rather than risk appearing unproductive by concentrating on a limited number of cases.

Lying is a second strategy public agencies may use to portray their activities in a positive light. Legislative bodies and other outside evaluators of agency activity are often at an information disadvantage relative to the agencies they monitor because they cannot constantly keep track of all agency activities all of the time. Administrators may take advantage of these

information asymmetries by supplying political officials only with information that paints the best picture of agency activities, while excluding information that makes agency activities appear less positive (Downs 1967). During the 1980s, Rita Lavelle, administrator of the Environmental Protection Agency's Superfund toxic waste cleanup program, purposely lied about her enforcement record to make it appear that inspections of toxic waste sites were being made in a neutral, objective manner (Meier 1985, 164-5). In reality, enforcement decisions were made using political criteria, rather than objective criteria. This example reveals the danger administrators face when lying about organizational performance. If political officials obtain information about the true nature of agency activities, the results for the agency can be disastrous. Lying essentially violates the trust between bureaucrats and politicians that is necessary for effective governance. Lying, therefore, is an extremely high risk method of cheating. The exaggeration of body counts in Vietnam is a high profile example of the risks of lying as a performance enhancement tactic.<sup>3</sup>

A third way public agencies may cheat is by selecting and/or reporting only those cases that are most conducive to positive agency evaluations--what we call "sampling bias." One common form of sampling bias involves directing agency activity toward easy cases while diverting agency resources from more difficult cases (Wilson 1989, 161-2). The earlier example of crime clearance rates suggests law enforcement agencies may try to enhance their performance evaluations by emphasizing their success in solving murders and kidnappings because clearance rates on these crimes are generally higher than those for burglaries. Employment agencies could

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<sup>3</sup>The decision to cheat can quite clearly be modeled as a rational decision process that incorporates costs and benefits. We leave to others the task of generating a formal theory of cheating in organizations.

ignore the hard core unemployed to focus on those with job-ready skills (Blau 1955). School administrators may emphasize the importance of white pass rates on college entrance exams while downplaying the importance of minority pass rates, given the tendency for minorities to score lower on standardized tests. In addition to picking easy cases, administrators may focus on highly visible cases while excluding or down-playing the importance of less visible cases. A federal regulatory agency may concentrate its attention almost exclusively on one or two highly visible violators of federal law and aggressively pursue these cases over a multitude of less visible but important cases because attacking the most visible instances of abuse provides much more positive publicity than attacking a steady stream of less visible cases.<sup>4</sup>

### **Goal Displacement and Organizational Cheating in Public Schools**

In theory, public agencies can use a variety of cheating techniques to enhance their performance evaluations. To this point, however, we have little empirical evidence about how much and under what conditions public agencies cheat. The lack of evidence is largely due to the difficulty in developing valid indicators of performance for public agencies given the complex array of causal factors surrounding the problems they address (e.g., poverty, racism, crime). The absence of valid indicators, however, has not dissuaded politicians from seeking and imposing objective indicators of performance on agencies (see for example, the federal experience with PPB, ZBB, and the National Performance Review; Wildavsky 1984; Rainey 1991, 81)

Public schools provide an ideal opportunity for studying questions of goal displacement

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<sup>4</sup>This was the strategy pursued by the EPA during the first Ruckelshaus term. The agency lacked resources to deal with all polluters so Ruckelshaus adopted the strategy of aggressively suing the largest, most visible polluter as an example to other firms (Meier 1985).

and organizational cheating. Educational bureaucracies generally collect large amounts of data that measure both organizational inputs and outputs. On the input side, information on funding levels per pupil, student-teacher ratios and other indicators of resources allocated to education can be obtained and their effects on educational outputs examined (Burtless 1996). Common output measures for schools include graduation rates, student pass rates on standardized academic skills tests, and student pass rates on college entrance exams (Smith 1994). Most importantly, the relationship among school inputs, outputs, and outcomes is an understood causal process that is not infinitely complex and confounded by scores of other variables (Hanushek 1994).

The potential for goal displacement exists because of the multiple goals that school systems seek. Schools need to turn out well-educated students capable of participating in both economic and political processes (Tyack and Cuban 1995). "Well-educated" students, however, is a multidimensional concept; a 1996 Gallup poll on essential functions that schools should perform found endorsements for preparing responsible citizens (86%), enhancing economic self-sufficiency (76%), promoting cultural unity (63%), improving social conditions (58%) and enriching cultural and intellectual life (55%) (Smith 1998, 74).

To illustrate the tradeoff among goals and the potential for goal displacement consider the TAAS exam in Texas. It measures the attainment of basic skills, and a focus on basic skills could divert schools from their other concerns such as preparing students for college, training students who will directly enter the workforce, teaching citizenship skills, etc (Tyack and Cuban 1995, 34). Although a full treatment of the potentials of goal conflict and goal displacement in school system would require a full length article, one illustration should suffice. For the districts

in this study, increases in TAAS scores between 1995 and 1996 were negatively associated with college-bound seniors ACT (-.14) and SAT (-.11) scores, suggesting a tradeoff between basic skills and higher level skills for college prep students. Few organizations have sufficient resources to meet all their goals simultaneously; when one goal is given preference in an incentive system, some goal displacement is likely to occur.

### **Measuring Cheating**

We examine organizational cheating in 476 Texas public school districts with at least 1000 students in 1996; this is the universe of districts that meet the size criteria. State law in Texas mandates that public school students in grades three through eight as well as grade ten must take standardized reading and mathematics tests every year (the TAAS exam). School districts are assigned performance ratings based on student performance on these exams. These ratings range from exemplary to academically unacceptable. Such ratings obviously have important implications for how observers such as state legislators, local tax-payers, and the media assess the performance of particular school districts. Administrators have ample incentives to make sure that their respective school districts receive positive evaluations, and this may lead them to cheat in hopes of boosting student pass rates.

How can districts cheat to improve their performance evaluations? We hypothesize that of the three types of cheating discussed earlier, school administrators are most likely to cut corners and use sampling bias to boost overall district pass rates. Lying about performance is not a likely strategy for school administrators, because lying requires the inability to verify claims and a wide array of data are available for monitoring the performance of students and schools. The strategies of cutting corners and using biased samples are more plausible techniques school

administrators could use to boost performance ratings. We present a rationale for this in our discussion of the motivations for cheating in a later section of the paper.

Our dependent variable and measure of cheating is the percentage of students in each school district who did not take standardized academic assessment exams controlling for recognized exemptions. Only two groups of students can be legitimately excused from taking these exams: special education students and students with limited English proficiency.<sup>5</sup> In theory, virtually all the variance in exemption rates should be explained by the number of students in each district that fall into these two categories.<sup>6</sup> To maximize performance ratings, however, administrators may grant exemptions to students outside of these two categories so that low achievers can be excluded and prevented from dragging down overall district pass rates. School districts are similar to most organizations that have performance criteria. Although they cannot influence what is on the test and they must give the exam, they do have some discretion in deciding who takes the exam.

Is there an incentive to teachers and administrators to cheat on the performance criteria? On a variety of dimensions, the incentives to individuals and organizations are very high. The Dallas Independent School District uses test scores to rank both schools and teachers; teachers' raises are based in part on the test scores of their students (Garcia 1995, 7). The reporting of TAAS scores and the Texas Education Agency's rating of individual districts and schools is

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<sup>5</sup>A small number of students can be excluded from the exam because they only recently moved into the district. Absences are the other reason for not taking the exam.

<sup>6</sup>Districts could also engage in systematic institutionalized cheating by increasing the number of students designated as either limited English proficient or assigned to special education classes. Both designations are discretionary have been linked to race and class bias (Heller, Holtzman and Messick 1982).

headline news through out the state. Low scores will bring greater school board and public scrutiny which threatens the basic autonomy of professional educators. The key incentive, however, is that exemptions do increase test scores. Table 1 shows that an increase of one percent in student exemptions is associated with an increase of .25 percentage points in the overall pass rate controlling for attendance, poverty, class size and a variety of other factors that also affect student test scores. In 1998 a state commission criticized several schools that received “exemplary” ratings from the TEA but tested less than half of their students (Markley 1998, 29A).

(Table 1 about here)

Exemptions entail some discretion. Table 2 presents a simple bivariate regression where the percentage of special education and limited English proficiency students is used to predict exam exemptions. Legitimate student exemptions can explain only 30 percent of the variance in the percentage of students in each district that were not tested in 1996. There are obviously other explanatory factors that account for student exemptions. While not all of these other factors can be termed cheating; within this 70% of the variance is where we expect to find evidence of it. Another way to look at legitimate versus total exemptions is presented in Table 3 which shows the means and standard deviations for all variables. The average number of exemptions is less than half the total that school districts are allowed to take. This relatively small ratio suggests that cheating is not widespread. At the same time, several school districts exempt more students than qualify and even low levels of exemption could hide some efforts to create a biased sample of test takers.

(Tables 2 and 3 About Here)

The term “cheating” suggests an action that is intentional. Assessing intent in any

administrative process is difficult, but some circumstantial evidence is consistent with intention. The fairly large level of unexplained variance in Table 2 indicates a process that contains substantial individual discretion. The Austin Independent School District was recently caught manipulating test results through an identification process that eliminated the scores from some students exams (“Austin ISD manipulated TAAS results, probe reveals” 1998). No districts have admitted that they use exemptions to improve scores, but several districts have levied such charges at other districts with high scores and high exemptions (Markely 1998, 29A).

### **Independent Variables--Motivations for Cheating**

What motivates public agencies, especially school districts, to cheat? From the literature on organization theory, we identify four major motivations for cheating: 1) performance gaps; 2) inadequate resources; 3) overwhelming task demands; 4) variations in levels of bureaucratic monitoring.

A performance gap often motivates an organization to change its behavior (Downs 1967, 193) and one form of behavior change is the decision to cheat. A school district with an unacceptable rating faces a great deal of pressure to improve its performance in the following year. Poor performance ratings attract negative attention from state legislators, parents, and the media. Because improving performance can be difficult, a district may be tempted to cheat and bias their test samples so that students with poor performance records are excluded. A performance gap could be indicated in one of two ways. The district pass rates from 1995 (the prior year) were used to account for past exam performance; a lower score puts pressure on a district to improve, perhaps by cheating. A second possible measure of a performance gap would be a declining trend even if the prior year score was relatively high. To account for trends in

district pass rates from prior years, our trend variable measured the change in overall district pass rates from 1994 to 1995.

High student pass rates are associated with inequities in resources across school districts (Coleman 1960). Districts that spend significantly more per pupil are able to provide their students with better educational resources such as computers and modern facilities. Class size or student-teacher ratios are another important resource indicator related to performance (Hedges and Greenwald 1996). In districts where student-teacher ratios are low, students have more opportunities to obtain help and attention from teachers. In districts with high student-teacher ratios, teachers may be less worried about providing individualized attention and quality education than they are about simply coping with more students than they can handle. All other things being equal, a district with ample resources and smaller classes will find it easier to improve its performance. Since resources are unequal across school districts, those districts with fewer resources may simply be forced to cut corners in educating students (that is, to cheat) by excluding more students from the test pool. Our analysis included measures for both the amount of money spent on instruction per pupil and the student-teacher ratio for each district as indicators of resource scarcity and, thus, a temptation to cheat.

A third reason why school districts might cheat involves the nature of their task demands. School districts where student populations are homogenous have an easier time in educating students than school districts where student populations are heterogenous (Chubb and Moe 1989). Many suburban school districts are made up primarily of Anglo students from middle-class families. In contrast, many inner-city school districts have heterogenous student populations where environmental demands such as poverty and the need for remedial education

are much greater. A further problem in districts with heterogenous student populations is that minority students tend to score lower on standardized tests than Anglo students (Fernandez and Velez 1985; Rong and Grant 1992). In the presence of demanding environmental conditions like these and with objective performance demands, school districts may rely on sampling bias, granting exemptions to low-income and minority students in hopes of increasing overall district pass rates. To measure heterogeneity of the students or "task demands," we created an index from the percentage of black, Latino, and low income students in each district.<sup>7</sup>

A final motivation for organizational cheating centers on how easy school districts make it for administrators to cheat. Cheating requires coordination among administrators who make such decisions. Without agreement to look the other way, norms of organizational cheating cannot take hold. The larger the number of individuals who need to be coordinated, the greater the cost of any collective action (Olson 1965) including systematic goal displacement. To reflect organizational costs of cheating, we created a measure of organizational bureaucracy--the ratio of central and campus administrators per 100 teachers. Systematic exam exclusions must be made or approved by administrators, and therefore, more bureaucratic organizations will find it more difficult to cheat.

In addition to the cheating variables discussed above, we included two control variables in our analysis. As noted earlier, school districts are allowed to exempt only special education and limited English proficient students from taking exams. Table 2 reveals that the allowed exemptions explain a significant portion of the variance in exemptions, making this an important

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<sup>7</sup>Each percentage was standardized and then the three indicators were summed. Since we had no reason for weighting the three indicators differently, we did not use factor analysis to create the index.

control variable in our model for predicting cheating. Attendance can also be an important explanation for why other students do not take academic assessment exams. It may simply be the case that poor attendance rates, not intentional efforts to cheat, explain why students outside of these two categories do not take assessment exams. Our second control variable was the average attendance rate for each school district.

Regression analysis was used to study the relationship between the cheating motivation variables and exam exemption rates. In the initial modeling stages, regression diagnostics revealed the presence of extreme values for several of the variables.<sup>8</sup> All variables in the analysis were logged to correct for the presence of outliers.

### **Findings**

Table 4 reports the results for the fully-specified model for school district cheating via exemption rates. Three of the hypothesized cheating variables had no significant impact on overall exemption rates; another was significant in the wrong direction. A performance gap was unrelated to cheating. The relationship for 1995 exam performance was actually positive not negative, but when included in the reduced model (Table 5) proved also to be insignificant. The change in district performance from 1994 to 1995 had no impact in determining exemptions. Mixed results were obtained on the resource variables. Instructional spending per pupil was found to be a significant factor in shaping exemptions, but the student-teacher ratio had no significant impact on exemptions. District attendance rates also had little explanatory power in

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<sup>8</sup>We also examined the studentized residuals, the diagonal of the hat matrix, and the Cooks' D for each district. Except for the limited heteroscedasticity as a result of the extreme values, the residuals of this equations were remarkably well behaved without a single influential leverage point.

explaining exemptions. In addition to instructional spending per pupil, task difficulty and legitimate exemptions had significant effects in determining exemptions. The second model included only those variables found to have significant explanatory power.

(Tables 4 and 5 About Here)

The final model, shown in Table 5, included two variables hypothesized to be related to cheating and the variable representing legitimate exam exemptions. The first variable, spending on instruction per pupil, indicates that for every one percent increase in spending, the propensity for districts to exempt students from exams decreases by slightly less than one percent, all other things being equal. Task demands were also found to have a significant impact on exemption rates. For every one percent increase in the heterogeneity of task demands, exemptions increase by an additional .36 percent, all other things being equal. Consistent with the results presented earlier in Table 2, legitimate exemptions were also found to influence overall exemption rates. For every one percent of students eligible for legitimate exemptions, the exemption rate increased by .62 percent, indicating that districts do not exempt all special education and limited English proficient students from taking exams.

The findings from models 4 and 5 indicate that sampling bias may be the most important technique administrators rely on to boost exam pass rates. When districts lack financial resources, they are at a competitive disadvantage to well-funded districts. Poorly-funded districts may have to cut corners in instruction, such as using out of date textbooks, spending little on computer resources, and spending less on educational aides. Because of the difficulties poor school districts face in instructing students, they cannot compete with well-funded districts. This prompts administrators to exempt below average students from taking assessment exams with the

hope that having the best and brightest students tested will make their overall districts' pass rates look competitive with those of wealthier districts. The same logic applies to severe task demands. Since low income and minority students generally score lower on standardized tests, administrators have an incentive to grant these students exemptions.

Cheating may be especially high when school districts are overwhelmed by both low financial resources and severe task demands. Suburban school districts typically have racially homogenous student populations. Suburban school districts are also typically more wealthy because property values tend to be high relative to those in urban school districts. Urban school districts, especially inner-city districts, face extreme task demands as a result of heterogenous student populations. Middle-class flight to the suburbs has eroded the tax bases of many urban districts, making them unable to keep up with what suburban districts spend on instruction per pupil. In the face of these tough conditions administrators may have no choice but to cheat, given the devastating way these factors stack the deck against obtaining high performance scores.

The relatively low levels of explanation in tables 4 and 5 suggest that most variation in test exemptions remains unexplained. This variation is likely the result of unmeasured factors such as the philosophy of organization leaders, beliefs about the appropriate mix of education that should be offered, and idiosyncratic factors that affect attendance on test day. That such a small portion of the variation can be accounted for with measures theoretically linked to cheating is grounds for some optimism about the extent of cheating in these organizations. This finding plus the ratio of exemptions to legitimate exemptions suggests that most of these organization do not systematically engage in cheating or do not cheat a great deal to meet established goals.

## **Conclusions**

When faced with a performance standard that does not validly measure the organization's outputs, an organization has two options. Engage in goal displacement and seek to meet the standard even if it affects performance in a detrimental manner or continue to seek the larger goal and hope that success in the actual mission will also produce success on the performance standard. This study of school districts is the first to quantitatively examine goal displacement, a process we termed "organizational cheating." We found some indicators that a modest amount of cheating did take place and this cheating was related to scarce resources and more difficult tasks. Based on this analysis and the theoretical literature, we can speculate on two important questions—what type of organizations are most likely to cheat and how can cheating be reduced?

### **What Type of Agencies Are Most Likely to Cheat**

Although this study focuses on cheating in the context of educational bureaucracies, the findings presented here suggest what general types of organizations are more likely to cheat. Empirically, we demonstrated that scarce institutional resources and difficult task demands are major factors that prompt bureaucrats to rely on a strategy of cheating. Evaluations of bureaucratic activity are often based on comparisons across different cases. Organizations with poor resource bases may face greater difficulties in producing results comparable to those organizations with adequate resources. To level the playing field in such instances, organizations with inadequate resources may cheat in hopes of generating outputs that compare favorably to those of organizations with higher levels of resources.

Daunting task demands encourage cheating because bureaucracies are under great pressure to produce results. Politicians tend to *identify* highly complex problems but charge bureaucracies with the task of actually *solving* them (Goodsell 1994, 92). Scholars studying

policy implementation argue that implementation success varies directly with the tractability of a problem (Mazmanian and Sabatier 1989). It matters not that bureaucracies often deal with intractable problems such as preventing crime, providing quality education to heterogenous student populations, and combating poverty. Outside observers demand results, regardless of how intractable an agency's task may be. Faced with the dual pressures of combating difficult problems and producing results to please outside observers, organizations may be forced to cheat in order to attain established performance goals set by political principals.

Our empirical analysis centered on the above factors as determinants of organizational cheating. Several other pertinent factors come into play in understanding the types of organizations most likely to cheat. Cheating is, theoretically, likely to occur in organizations where the day-to-day activities of bureaucrats are not heavily monitored, i.e., highly decentralized bureaucracies. Such a scenario often applies in human service bureaucracies--those dealing with problems such as social welfare, law enforcement, and education (Lipsky 1980; Keiser and Soss 1998). Human service bureaucracies deal with matters that require significant interaction between "street-level" bureaucrats and individuals in target populations. Those holding supervisory positions in human service bureaucracies often have little direct oversight of the activities of street-level bureaucrats. For example, school principals rarely sit in on classes and monitor the performance of teachers (Lipsky 1980, 50). This lack of continuous and direct monitoring gives street-level bureaucrats a great deal of discretion in how they implement policies. Knowing they must produce a certain level of outputs, street-level bureaucrats may use a lack of constant monitoring from supervisors as an opportunity to cheat in hopes of maximizing program outputs (Brehm and Gates 1997).

Cheating is also likely to occur when program designs include incentive-based structures. When financial or other tangible incentives stem from policies, those involved in the implementation of policies may turn their attention to maximizing the incentives they receive from their work rather than concentrating on whether their actions are consistent with the true intent of program designers. For example, the Comprehensive Employment and Training Act of 1973 (CETA) contained structures that encouraged fraud and misuse of funds on the part of program participants. In order to receive program benefits, some cities purposely “. . . laid off municipal workers and then rehired them with federal funds” (Baumer and Van Horn 1985, 77). More recently, a school performance program adopted by the Dallas Independent School District offered financial bonuses to individual teachers and principals ranging from four hundred fifty to one thousand dollars based on student improvements on standardized skills comprehension tests. In one instance, an “alarming relationship” was discovered between erasures and correct answers on 4<sup>th</sup> graders’ reading tests (Garcia 1995, 7). Scores for one particular class jumped from the 33<sup>rd</sup> to 90<sup>th</sup> percentile in the course of a year. As these cases illustrate, incentive based policies can create scenarios that divert the attention of program participants away from achieving program goals, and toward reaping program incentives.

### **What Can Be Done to Prevent Cheating**

Given the potential for organizational cheating, what can be done about it? The most likely proposed solution and perhaps the least likely to work is to simply add rules to circumscribe the behavior. Downs (1967) theorizes that efforts to exert control will spawn additional efforts to circumvent control which in turn generate greater control efforts; the end result of this vicious cycle is a rule-bound organization that is likely to be even less productive.

In cases of relatively rare events, such as those examined in this paper, adding anti-cheating rules also provides a signal to employees that they are not trusted by the organization to exercise their own judgement. The ramifications of such signals for morale, and potentially productivity, should be obvious.

A more likely corrective is to use professional or organizational norms to counter cheating. Such norms involve understanding the full set of goals an organization has and how they might differ from the narrow incentive system as well as recognizing that performance assessment has to consider how difficult the individual's tasks are to perform. As one principal stated "My job is not to produce high [TAAS] scores. My job is to educate kids" (Markley 1998, 30A). The role of norms in limiting cheating, when placed in the context of recent federal policies, suggests cheating is likely to increase. The potential implications of both the reinventing government movement and the earlier pay-for-performance reforms in the federal government are disconcerting. Both rely strongly on incentives and the reinvention movement relies heavily on contracting out to private organizations where norms against cheating are likely to be much weaker.

Norms against cheating should be reinforced by a conscious effort to design procedures and structures that are consistent with those norms. Reward systems should be based on more than short term performance using narrow criteria. Evaluations and ranking systems need to incorporate multiple indicators and perhaps not even combine the multiple indicators into a single measure; rather organizations might be judged as adequate or not on one of more dimensions at the same time. Evaluating performance is more difficult if this is done, but organizations should be less likely to displace goals.

## **Lessons for Theory and Practice**

This study documents organizational cheating and relates it to task demands and resources. It has implications for the theoretical study of organizations. First, attempts to assess agency performance or agency responsiveness must go beyond output indicators (see Wood and Waterman 1994) and determine how those indicators are generated. Second, although the determinates of cheating were found in the organization's environment (task demands, resource scarcity), the actual process of cheating occurs as the organization and its processes interacts with its environment. Third, bureaucracies are strategic organizations; they can respond to environmental demands in a variety of ways, only some of which are desired by environmental actors.

The study also has implications for the practice of public management. First, incentive systems need to be designed with great care. Individuals will respond to incentives systems but the response might be to the incentive rather than the organization's purpose. Badly designed incentive systems can create goal displacement. Second, goal displacement and cheating are more likely to occur when organizations face difficult task demands and when their resources are inadequate to the task. Creating incentive systems in such circumstances invites inappropriate behavior. Third, the problems of incentive systems are unlikely to be solved with the addition of more rules; after all, rules did not prevent the problems from initially occurring. Fourth, organizational norms play a major role in cheating and offer the most likely solution to limiting such behavior.

This study provided both the first theory of organizational cheating and an empirical test. It should not be the last word on the topic. Our speculation about the types of organizations

likely to cheat and how cheating can be reduced provide an agenda for future research. The general policy direction of government, that is, the reliance of private organizations to provide government goods and services, should provide us with myriad opportunities to study organizational cheating.

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**Table 1****The Incentives to Cheat****(Dependent Variable = Percentage of Students Passing the Exam)**

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Independent Variable	Parameter	Standard Error	t statistic
Exemptions	.252	.057	4.40*
Attendance	1.714	.316	5.42*
Expenditures (1000)	-.259	1.042	.25
Class Size	-.865	.226	3.82*
% Black Students	-.095	.023	4.10*
% Latino Students	-.001	.018	.07
Low Income	-.157	.024	6.49*
Teacher Experience	.563	.150	3.77*
% Noncertified Teachers	-.030	.016	1.93

Constant = 7.61

 $R^2 = .39$ Adj.  $R^2 = .38$ 

F = 99.57

N of Cases = 476

 $S_{yx} = .495$ \*  $p < .05$

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**Table 2**  
**Explaining Exemption Rates on Academic Assessment Exams**  
**(Dependent Variable = Percentage of Students not Taking Exams)**

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Independent Variable	Parameter	Standard Error	t statistic
Legitimate Exemptions	.86	.060	14.18*

Constant = -.467  
 $R^2 = .30$   
Adj.  $R^2 = .30$   
 $F = 200.94$   
N of Cases = 476  
 $S_{y|x} = .529$

\*  $p < .05$

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**Table 3**  
**Variable Descriptive Statistics**

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Variable	Mean	Standard Deviation
1995 Pass Rate	61.4	11.4
Performance Trend	5.6	3.6
Spending Per Pupil (1000)	2.7	.3
Task Difficulty	.3001	2.2
Bureaucracy	7.2	1.6
Student-Teacher Ratio	13.0	4.4
Attendance	95.4	.8
Legitimate Exemptions	20.5	11.2
Actual Exemptions	9.2	5.4

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**Table 4**  
**Cheating and Exemption Rates on Academic Assessment Exams**  
**(Dependent Variable = Percentage of Students not Taking Exams)**

Independent Variable	Parameter	Standard Error	t statistic
Motivations to Cheat			
1995 Pass Rate	.424	.196	2.17*
Performance Trend	-.183	.177	-1.04
Spending Per Pupil	-1.028	.233	-4.41*
Task Difficulty	.436	.062	7.08*
Bureaucracy	-.017	.113	-.15
Student-Teacher Ratio	.098	.067	1.47
Attendance	1.049	3.341	-.31
Legitimate Exemptions	.646	.075	8.65*

Constant = 11.12

$R^2 = .39$

Adj.  $R^2 = .38$

F = 37.84

N of Cases = 476

$S_{y|x} = .495$

\*  $p < .05$

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**Table 5**  
**Cheating and Exemption Rates on Academic Assessment Exams - Final Model**  
**(Dependent Variable = Percentage of Students not Taking Exams)**

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Independent Variable	Parameter	Standard Error	t statistic
Motivations to Cheat			
Spending Per Pupil	-.995	.228	-4.36*
Task Difficulty	.361	.047	7.74*
Legitimate Exemptions	.620	.071	8.71*

Constant = 7.61  
 $R^2 = .39$   
Adj.  $R^2 = .38$   
 $F = 99.57$   
N of Cases = 476  
 $S_{y|x} = .495$

\*  $p < .05$

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