Leadership and the rise of the corporate psychopath: What can business schools do about the ‘snakes inside’?

Dr Amanda Gudmundsson
QUT Business School
Queensland University of Technology
Email: a.gudmundsson@qut.edu.au

Gregory Southey
School of Management
QUT Business School
Queensland University of Technology
Email: g.southey@qut.edu.au

Abstract

Purpose: Leadership styles are reviewed and reassessed given recent research that links destructive leadership behaviours exhibited by unscrupulous executives with traits commonly identified as indicators of corporate psychopathy.

Method/approach: A review of the literature describing the various theories dealing with the nature of leadership styles and the rise of interest in corporate psychopathy and destructive leadership.

Implications: This paper offers a psychological perspective for future research which provides both impetus and additional support for further analysis and exploration of such leadership styles in the business environment. One distinct advantage of this extrapolation is the articulation of insights into aspects of decision making by leaders, providing further insight into the formulation of leadership development programs in organisations and courses in business schools training future leaders.

Key words: Corporate psychopaths; leadership styles; destructive leadership.
Introduction

Research into the phenomena of leadership originally sought to distinguish leaders from non-leaders and identify the traits, behaviours and style of effective leaders. The literature provides a variety of interpretations on the leadership domain including examining the role of the leader. Whilst the research considers various observed behaviour patterns there are differences in leadership attributes which remain unresolved. This is particularly evident when considering the contradictions arising from a number of recent events that have highlighted the tenuous link between leadership and ethical judgements on the part of prominent leaders in business. These executives had, at least until their demise, been considered to be examples of efficient and effective leaders.

The very notion that the behaviour of business leaders could be linked to the traits inherent in the psychological profile of clinically psychopathic individuals has received limited attention in the literature. The dominant historical focus of leadership theory has been on the identification of, and the factors contributing to, leader effectiveness. The emergence of research highlighting destructive executives displaying psychopathic behaviour has set a new direction with the potential to challenge the existing paradigm of the established view on leadership styles. Recent events along with a small but growing body of research has identified and highlighted that characteristics of some leadership styles share traits commonly imbued with psychopathic behaviour. The prevailing view that singularly promoting inspirational leadership styles as the panacea for effective leadership in organisational settings has ignored the potential ramifications of behaviour that would otherwise be considered inappropriate. Promoting behaviour, which may seem to be consistent with an organisational desire for success, but at the expense of ethical and moral issues, may result in undesirable consequences.

This paper presents the established view of leadership styles against which the emerging profile of psychopathic leaders is compared. A review of the literature is employed to establish the profile of psychopathic leadership traits for future research. The implications and insights drawn from this limited literature are then considered within the context of leader development programs, including the preparation that leadership students receive in business school.

Literature Review

History of Leadership

At first it appears astonishing that after more than one hundred years of empirical investigation and many thousands of studies that the leadership discipline remains loosely formed, with influential scholars maintaining that the field has no dominant paradigm to study it, no resolute definition for what it is, and little agreement over how to develop or exercise it (Hackman & Wageman, 2007). Nevertheless in business and society the leadership domain remains an extraordinarily important phenomenon and issue for research. While an exhaustive review of the leadership literature is beyond the scope of this paper, an orientation to the history of leadership is necessary as the field continues to be hampered by the range of definitions and variables used to investigate it (Yukl, 1989). The diversity of opinions over the definition of leadership is suggested by Yukl (1989) to be “not just the case of scholarly nitpicking. They reflect deep disagreement about identification of leaders and leadership processes.” (p. 252). Although diverse, the majority of the leadership research has been focused on identification of the types of behaviour, traits, and influence processes that leaders employ to enhance individual and collective performance and thereby constitutes leader effectiveness (Yukl, Gordon & Taber, 2002).

Trait theories formed the earliest conceptualisations of leadership (Zaccaro, 2007). These theories focused on descriptions of immutable leader traits inherited or ingrained since birth, such as height, appearance, intelligence, physical energy, and authoritarianism (Holt & Marques, 2012). Effective leaders were thought to possess “tireless energy, penetrating intuition, uncanny foresight, and irresistible persuasive powers” (Yukl, 1989, p. 260). Zaccaro
(2007) notes that the trait approach to leadership continued to guide research until rejected in the late 1950s with the rise of the behavioural and situational approaches. However, the trait approach made a return to prominence in the 1980s in the form of charismatic and transformational leadership and continues today with examinations of destructive leadership traits. Limitations to trait leadership include that these qualities were believed to be endowed and thus not amenable to developmental interventions, models were confined to a small set of individual differences, and these differences were not adequate to explain the complexity of leader behaviour or sufficiently flexible to recognise that individuals may approach situations differently or change over time.

With the rise in the 1970s of behaviourism and the human relations movement in psychology, behavioural leadership theories emerged out of the research programs at the University of Michigan and Ohio State University with these theories emphasising the importance of people-oriented and task-orientated supervisors (Wood, Zeffane, Fromholtz, Wiesner, & Creed, 2010). Behavioural leadership theorising continued to evolve, focusing on the explanation of universally effective leader behaviour and ultimately progressed towards the combination of trait and style approaches (Holt & Marques, 2012). Situational and contingency theories then developed as scholars grappled over leadership complexity and the link between leadership behaviour and specific contextual demands. Yukl (1989) provides a thorough review of the period, and cites Fielder’s (1978) LPC Contingency model as being instrumental in directing leadership theorising towards examination of the situation as well as the leader. Fielder suggested that leader effectiveness was dependent upon the appropriate match between the leadership style and the requirements of the followers and the situation.

During the 1980s when organisations were challenged by significant economic and social change, we witnessed the rise of inspirational leadership theories including charismatic and transformational leadership theory (Wood, et al., 2010; Yukl, 1989). Transformational leadership (Bass, 1990) led to the development of the Full Range Leadership model and the Multifactor Leadership Questionnaire (Bass, 1990; Avolio, 1999), which today continues to generate a considerable amount of confirmatory research and is widely used in practice (Wood, et al., 2010). Full Range Leadership (Avolio, 1999) identifies three contrasting leadership styles, scales and associated behaviour; transformational, transactional and passive/avoidant.

- **Transformational leadership**
  - *Idealised influence or charisma* - committed, trustworthy, ethical consequences of decisions are considered important
  - *Inspirational motivation* - confident, articulates vision of future and encourages others
  - *Intellectual stimulation* - questions the norm and facilitates expression of ideas
  - *Individualised consideration* - considers individual abilities, needs, and aspirations
- ** Transactional leadership**
  - *Contingent reward* - negotiates for resources and rewards achievements
  - *Management by exception (active)* - takes action following mistakes
- **Passive/avoidant leadership**
  - *Management by exception (passive)* - does not take action until mistakes are noticed and problems escalate
  - *Laissez-faire* - unwilling to accept responsibilities and not present when needed

**Destructive leadership and the rise of the corporate psychopath**

The previous discussion was not designed to be a comprehensive review of leadership theory but rather an overview of the history of leadership. Notwithstanding the incompleteness of the theories presented, the dominating or unifying focus of the past century of leadership research has been the search for explanations of leader effectiveness. A less well developed leadership stream is that of destructive leadership. Arguably, exploration of the ‘dark side’ of leadership is equally critical because of the negative impact that these leaders have on productivity (Ouimet, 2010), employee morale (Boddy, 2011), and the financial performance of the organisation (Takala, 2010). Shaw, Erickson, and Harvey (2011) define destructive leadership as “a systematic and repeated set of behaviours by a leader that have a significant negative (i.e., destructive) impact on organisational and/or employee outcomes” (p. 576). The
destructive leadership stream includes research examining bullying behaviour, toxic leadership, abusive supervision, as well as the socially aversive leader personalities of Machiavellianism, narcissism and psychopathy.

**Psychopathy**

Clinically, psychopathy is a disorder of the personality (Andrews & Furniss, 2009), involving a lack of empathy and attachment to others, superficial charisma and charm, manipulation, and the violation of social norms (Hart, et al., 1994). Although not a formal diagnosis in the DSM-IV: Diagnostic and Statistical Manual of Mental Disorders (American Psychiatric Association, 1994), Cleckley’s book “The Mask of Sanity” first published in 1941 is widely credited with defining the clinical construct (Mullins-Sweatt, et al., 2010). Examination and treatment of the psychopathic personality has a long history in the criminal justice and forensic clinical contexts (Gao & Raine, 2010; Hall & Benning, 2006; Patrick, 2006). Psychopaths are characterised as having several typical traits and behaviours, most commonly emotional detachment, a lack of conscience, and antisocial behaviours including irresponsibility, impulsivity and aggression (Gao & Raine, 2010; Harpur, Hakstian & Hare, 1988). Based upon their clinical observations, Murphy and Vess (2003) maintain there are the “superior, self-absorbed and belittling narcissistic psychopath, the needy, labile, and impulsive borderline psychopath, the deliberately cruel sadistic psychopath who is attuned to the suffering of others, and the remorselessly criminal antisocial psychopath who is not.” (p. 12). However, put simply, people without a conscience or empathy may be categorised as psychopaths (Hare, 1999).

There is a well established method for identifying individuals with psychopathic personality; the Psychopathy Checklist – Revised (PCL-R) (Hare, 1991). Hare (1991) refined Cleckley’s (1941) original clinical observations and developed the psychopathy checklist and its subsequent revision. The PCL-R measures two interrelated factors: (1) affective and interpersonal traits: empathy and responsibility, superficial charm, deceitfulness and a sense of egoism, and (2) behavioural: impulsivity, antisocial or deviant behaviour, and erratic lifestyle. Academic debate currently focuses on whether psychopathy is a two, three or four factor model, with proponents of the four factor model promoting interpersonal, affective, lifestyle, and antisocial domains (see Table 1 below).

**Table 1:**

*Domains and Traits of the Psychopath*

<table>
<thead>
<tr>
<th>Interpersonal Domain</th>
<th>Affective Domain</th>
<th>Lifestyle Domain</th>
<th>Antisocial Domain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Superficial</td>
<td>Lacks remorse</td>
<td>Is impulsive</td>
<td>Poor behavioural controls</td>
</tr>
<tr>
<td>Grandiose</td>
<td>Lacks empathy</td>
<td>Lacks goals</td>
<td>Adolescent antisocial behaviour</td>
</tr>
<tr>
<td>Deceitful</td>
<td>Does not accept responsibility</td>
<td>Is irresponsible</td>
<td>Adult antisocial behaviour</td>
</tr>
</tbody>
</table>

Source – Babiak & Hare (2006)

The extent to which psychopaths are prevalent in the community is difficult to estimate, however, experts suggest that psychopaths exist in approximately 1% of the general population, 25% of the prison population (Hare, 2003), and 3.5% of the business world (Babiak & Hare, 2006). Cangemi and Pfohl (2009) challenge the cited percentages claiming that, based upon their professional experience with business organisations, that the percentage in the business community is much higher. Although the prevalence of psychopathic individuals may be small the impact of their behaviour is not. Empirical studies with forensic and clinical populations (Stevens, et al., 2012) find psychopathy related to violent criminal behaviour (Hare and Neumann, 2009; Salekin, et al., 1996), high rates of recidivism (Hemphill, 1998), and misbehaviour in institutional settings (Hill, et al., 2004).
The checklist of traits associated with criminal psychopathy as derived from Hare (1993) are:

- Glibness/superficial charm,
- Grandiose sense of self-worth,
- Need for excitement,
- Pathological lying,
- Conning/manipulative,
- Lack of remorse or guilt,
- Shallow affect (emotion),
- Callous/lack of empathy,
- Parasitic lifestyle,
- Poor behavioural control,
- Promiscuous sexual behaviour,
- Early behavioural problems,
- Lack of realistic long term goals,
- Impulsivity,
- Irresponsibility,
- Failure to accept responsibility for actions,
- Many short term marital relationships,
- Juvenile delinquency,
- Revocation of conditional release,
- Criminal versatility.

**Corporate Psychopathy**

Since Babiak and Hare first published their book in 2003, “Snakes in Suits: When Psychopaths go to Work”, there has been growing interest in the non-forensic and organisational community about the successful ‘corporate psychopath’. A successful psychopath is defined as an individual who presents a sub-clinical manifestation of psychopathic traits, who has not been incarcerated in the judicial or mental health systems, and is more likely to engage in manipulative and antisocial behaviour (Stevens, et al., 2012). Other authors have additionally stated that successful psychopaths have tendencies towards increased alcohol consumption and violence (Neumann & Hare, 2008), bullying (Boddy, 2011), substance use, anti-authority attitudes, minor law violations (Williams, et al., 2007), fraud and irresponsible leadership (Babiak, et al., 2010, Boddy, et al., 2010).

Sub-clinical personality traits represent a “middle ground” between a pathological personality disorder described in a psychiatric manual such as the DSM-IV, and “normal” personality traits such as those identified in a standardised personality inventory that draw upon the Big Five taxonomy (i.e., extraversion, conscientiousness, neuroticism, agreeableness, openness to experience) (Harms, et al., p. 496). An early study on the independence of sub-clinical personalities in the normal population was conducted by Paulhus and Williams (2002) who examined the ‘dark triad’ (p. 561) of socially aversive personalities; Machiavellianism, narcissism and psychopathy. Individuals with sub-clinical characteristics of Machiavellianism are described as cold and manipulative, while sub-clinical narcissism traits include dominance, superiority, and a sense of entitlement, and finally those individuals demonstrating sub-clinical psychopathy are impulsive, thrill-seeking, have low empathy and low anxiety. In seeking to understand the similarities and differences between this dark triad of aversive personality, Paulhus and Williams found in a sample of 245 undergraduate psychology students that these personalities shared a number of features such as emotional coldness, a socially malevolent character, self-promotion, duplicity and aggressiveness.

Searching to explain unethical, deviant and criminal executive behaviour, scholars have identified a number of corporate executive leaders that portray sub-clinical psychopathy traits, e.g., Enron’s Jeffrey Skilling (Allio, 2007; Langbert, 2010) and Robert Maxwell (media tycoon) (Boddy, 2005). Such leaders have been referred to in the literature as successful corporate psychopaths (or executive psychopaths, industrial psychopaths, organisational psychopaths, or organisational sociopaths) in an attempt to distinguish a psychopathic individual operating in
business from other successful psychopaths (Boddy, 2011). Successful corporate psychopaths have been characterised as self-serving, opportunistic, ego-centric, ruthless and shameless, and yet who are also charming, manipulative and ambitious (Boddy, 2005, 2006, 2009).

With attributes and qualities such as charisma, confidence, persuasiveness and courage, the characteristics of successful corporate psychopaths could initially be confused with the previously espoused behaviours of effective charismatic leaders (Andrews & Furniss, 2009). The difference is, these corporate psychopaths take little heed of criticism (Boddy, 2009), may commit to risky or unwise ventures, are unlikely to nurture future talent, will not create a harmonious team, and will incur the loss of talented employees (Boddy, 2011; Andrews & Furniss, 2009). Babiak, et al. (2010) found individuals scoring highly on a measure of psychopathy held senior managerial positions or were identified as high potentials for such positions, even though there was a strong relationship between psychopathy and poor management styles and poor performance appraisals.

Paradoxically, opinion suggests that psychopathic managers often rise rapidly through the organisational ranks into positions of power (Kets de Vries, 2003). Babiak (2010) claims that organisational chaos provides for the necessary stimulation and breeding ground for the corporate psychopath, satisfying their thrill seeking behaviour, creating avenues for their charm to be demonstrated, and providing sufficient cover for their psychopathic manipulation and abuse of power. Structurally, the absence of institutionalised rules or formal limits on leader prerogatives, delegated authority, goal abstraction, the strict control that leaders have on the circulation of information, and reward systems that value lifting profits and stock prices above all else enables, and to some degree, fosters the deviant behaviour of the corporate psychopath giving them the necessary latitude for destructive leadership behaviour (Deutschman, 2005; Duchon & Burns, 2005; Ouimet, 2010). In exploring why organisations promote such leaders, Pech and Slade (2007) suggest that organisational members tolerate such destructive practices because of cultural and structural complexity, with cultures that favour manipulative, egotistical, and self-centred managerial behaviour. Furthermore, if these executives are delivering to, and meeting the corporate objectives of the business, attention to these negative tendencies may be overlooked.

Not surprisingly, the corporate psychopath is an elusive target for study. Accordingly, there is little empirical work examining the interaction of successful corporate psychopaths and their environment. Relatively few insights are available from clinical psychopathy studies to suggest how successful corporate psychopaths may behave in specific business situations. However, to generate a deeper understanding, researchers have begun experimenting with alternative research methods, such as student participants, or samples collected by third parties. For example, Stevens et al. (2012) studied psychopathy and unethical decision making with undergraduate students. The results indicated that students with psychopathic traits were more likely to respond unethically to ethical dilemmas. Stevens et al., (2012) explanation for the findings concluded that it was because of their “unique constellation of manipulative tendencies, blunted affect towards the concerns of others, and a proclivity towards violating social norms” (p.142). Other authors have sought to identify the implications of corporate psychopaths using third party reports. Mullins-Sweatt and colleagues (2010) sought the opinion of participants about psychopathic individuals they have known or met. In this sample successful psychopaths were rated high in assertiveness, excitement-seeking and activity, and low in agreeableness traits such as straightforwardness, altruism, compliance, and modesty. They were also rated high in competence, order, achievement-striving and self-discipline.

As research into destructive leadership continues to evolve, it is prudent to heed warnings being voiced from clinical experts about the corporate psychopathy stream of research. As Goldman (2006) articulates “trivializing pathologies and perceiving them as normal disturbances in the workplace is potentially quite detrimental in a volatile workplace already embroiled in bullying, toxic behaviours, aggression, violence, and what has recently been identified as organisational terrorism. Undiagnosed or misdiagnosed pathologies in our leaders are a precursor to ever escalating organisational dysfunction.” (p. 410). As the consequences of corporate psychopathic behaviour are extreme, both financially for our organisations, and emotionally for those who work within them, it is important that leadership research continues its endeavour to understand this dark side of leadership.
Leading 21st century organisations - How can business schools help?

The complexity and diversity of the leadership theories presented earlier is representative of the dynamic change in the nature of work and the rapid evolution of business during the past century. Commentators on organisational futures warn that the pace of change is set to accelerate (Hopen, 2010), with some scholars suggesting that in the coming decades a fundamental shift will occur in how we perceive employees, work and organisations (Landy & Conte, 2007). Examining the extent and velocity of the change has been the research agenda of a consortium of executives and academics led by the London Business School (Gratton, 2011). The group predicts that current external forces including accelerating technological change, globalising markets, and the rising cost of carbon will continue to be crucial, and that these forces will be joined by significant demographic, social and community pressures. The global leader of 21st century business is forecast by Donaldson (2008) to require a clear vision (to deal with increased uncertainty), empathy (to interact with a wide variety of stakeholders), and humility (to admit mistakes and deviate from damaging consequences of arrogance). McDonald (2008) concurs, adding that contemporary business leaders need organisational awareness, be able to inspire and influence, and be interested in developing others and nurturing teams. Yet in spite of over one hundred years of research, we still have very limited knowledge on how to successfully develop effective leaders (Avolio, 2007).

Disturbingly, recent leadership research with business school students continues to demonstrate that these future leaders value empathy least (Holt & Marques, 2012), are more self-interested, demonstrate more cheating behaviour (50% greater than any other major), are less co-operative, more likely to conceal instructor’s mistakes, and are less willing to yield and more likely to defect in bargaining games (Brown, et al., 2010). So what can business schools do with the ‘snakes inside’? Whilst it can be argued that ethical and moral reasoning and empathy develop naturally through maturity, authors such as Brown et al. (2010) are calling for business educators to focus more on building the capacity of business students in leadership and soft skills such as empathy to minimise the likelihood of poor and immoral decision in business. Similarly, in her recent editorial on teaching for good leadership in the Journal of Management Education, Jane Schmidt-Wilk’s (2011) also poses a number of important questions for business educators including, “How do we teach leadership?”, and “If we so fervently believe in the inherent goodness of leadership, where good means more than competence, then what are we doing to develop the values of goodness in our students?” (p. 594).

Perhaps some insight can be gained from immersive leadership training programs. Evidence recently published from a large, longitudinal, multi-source, multi-wave leadership development program with young military school cadets demonstrates that developmental interventions that include substantial self-awareness training are effective in mitigating the negative effects of sub-clinical personality traits (Harms, et al., 2011). Business school students too can possibly benefit from self-awareness and leadership coaching. Although in the minority of students, recent research demonstrates that business students were significantly higher in narcissism than those in other programs (Westerman, et al., 2011). With a predisposition towards the dark side of leadership, a tendency towards unethical and narcissistic behaviour, self-awareness training may equally mitigate the negativity of such personality traits for business students. After reflecting on many years of scholarly leadership research, Bennis (2007) recently concluded that exemplary leaders have six competencies; they create a sense of mission, they motivate others to join them in the achievement of that mission, they create an adaptive social architecture to support the mission and their people, they generate trust and optimism, develop other leaders, and ultimately achieve results. The opportunity clearly exists for further scholarly research to ensure that tomorrows leaders are able to overcome the previously discussed well exhibited negative behaviours, so that the benefits of the positive and important traits are not lost but enhanced thus creating truly effective and inspirational 21st century leaders.
References


