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Stepping In and Out of the Shadows

LEARNING OBJECTIVES

- > Identify the types of unhealthy leader motivations.
- > Explain how the “dark triad” of personality traits contributes to unethical leadership.
- > Classify the faulty assumptions that produce unethical decisions.
- > Assess the role that moral imagination plays in moral reasoning.
- > Describe the eight mechanisms of moral disengagement.
- > Name situational/contextual factors that contribute to unethical leadership.
- > Create a definition of ethical competence.
- > Develop a plan to expand personal ethical competence.

Most people are selfish some of the time and some people are selfish most of the time.

—LEADERSHIP RESEARCHERS ROBERT KAISER AND ROBERT HOGAN

Goodness is stronger than evil;

Love is stronger than hate;

Light is stronger than darkness;

Life is stronger than death.

—SOUTH AFRICAN ARCHBISHOP DESMOND TUTU

WHAT'S AHEAD

In this chapter, we look at why leaders step into the shadows and how they can step out of the darkness. Shadow casters include (1) unhealthy motivations, (2) personality disorders, (3) faulty thinking caused by mistaken assumptions, (4) failure of moral imagination, (5) moral disengagement, (6) lack of ethical expertise, and (7) contextual (group, organizational, societal) factors that encourage people to engage in destructive behaviors. We can begin to address these shadow casters by developing our ethical competence. Ethical development, like other forms of leader development, incorporates assessment, challenge, and support. We can track our progress by adopting the skills and strategies used by ethical experts.

In Chapter 1, we looked at *how* leaders cast shadows. In this chapter, we look at *why* they do so. If we can identify the reasons for ethical failures (what I'll call *shadow casters*), we can then step out of the darkness they create. With that in mind, we'll first examine common shadow casters. Then we'll see how developing our ethical competence can equip us to meet these challenges.

Remember that human behavior is seldom the product of just one factor. For example, leaders struggling with insecurities are particularly vulnerable to external pressures. Faulty decision making and inexperience often go hand in hand; we're more prone to make poor moral choices when we haven't had much practice. To cast more light and less shadow, we need to address all the factors that undermine ethical performance.

SHADOW CASTERS

Unhealthy Motivations

A good deal of the unethical behavior of leaders is driven by unhealthy motivations. Destructive motivations include inner monsters, unmet needs, self-centeredness, and greed.

Inner Monsters

Parker Palmer believes that leaders project shadows out of their inner darkness. That's why he urges leaders to pay special attention to their motivations, lest "the act of leadership create more harm than good." Palmer identifies five internal enemies or "monsters" living within leaders that produce unethical behavior.¹ I'll include one additional monster to round out the list.

Monster 1: Insecurity. Leaders often are deeply insecure people who mask their inner doubts through extroversion and by tying their identities to their roles as leaders. Who they are is inextricably bound to what they do. Leaders project their insecurities on others when they use followers to serve their selfish needs.

Monster 2: Battleground mentality. Leaders often use military images when carrying out their tasks, speaking of wins and losses, allies and enemies, and doing battle with the competition. For example, Amazon's Jeff Bezos is one leader who is ready to declare war on the competition. He is willing to lose millions in order to undercut competitors and capture product categories. He suggested that Amazon attack small publishing houses in the same way a cheetah attacks a sick gazelle.² Acting competitively becomes a self-fulfilling prophecy; competition begets competitive responses in return. This militaristic approach can be counterproductive. More often than not, cooperation is more productive than competition (see Chapter 9). Instead of pitting departments against each other, for instance, a number of companies use cross-functional project teams and task forces to boost productivity.

Monster 3: Functional atheism. Functional atheism is a leader's belief that she or he has the ultimate responsibility for everything that happens in a group or an organization. As Palmer describes it, "It is the unconscious, unexamined conviction within us that if anything decent is going to happen here, I am the one who needs to make it happen."³ This shadow destroys both leaders and followers. Symptoms include high stress, broken relationships and families, workaholism, burnout, and mindless activity.

Monster 4: Fear. Fear of chaos drives many leaders to stifle dissent and innovation. They emphasize rules and procedures instead of creativity and consolidate their power instead of sharing it with followers.

Monster 5: Denying death. Our culture as a whole denies the reality of death, and leaders, in particular, don't want to face the fact that projects and programs should die if they are no longer useful. Leaders also deny death through their fear of negative evaluation and public failure. Those who fail should be given an opportunity to learn from their mistakes, not be punished. Only a few executives display the wisdom of IBM founder Thomas Watson. A young executive entered his office after making a \$10 million blunder and began the conversation by saying, "I guess you want my resignation." Watson answered, "You can't be serious. We've just spent \$10 million educating you!"⁴

Monster 6: Evil. There are lots of other demons lurking in leaders and followers alike—jealousy, envy, rage—but I want to single out evil for special consideration,

making it the focus of Chapter 4. Palmer doesn't specifically mention evil as an internal monster, but it is hard to ignore the fact that some people seem driven by a force more powerful than anxiety or fear. Evil may help us answer the question "Why?" when we're confronted with monstrous shadows such as those cast by the Holocaust, genocide in Myanmar, and ISIS terrorist attacks.

Unmet Needs

Public administration professor Marcia Lynn Whicker ties the motivation of toxic leaders to Maslow's hierarchy of needs. Maslow identified five levels of need from low to high: (1) physiological (food, water, air), (2) safety (security, predictability), (3) social (belonging), (4) self-esteem (competence and respect), and (5) self-actualization (self-fulfillment). Trustworthy leaders operate at the highest levels of Maslow's hierarchy—self-esteem and self-actualization.⁵ They have the emotional resources and stamina to provide support to their followers. Toxic leaders, on the other hand, experience arrested development due to a sense of inadequacy. They focus solely on their security needs. Giving to others is "alien" to them. Instead, they are out to protect themselves through domination and control. Transitional leaders fall between trustworthy and toxic. They are fixed on meeting social needs. They want to belong and will serve the organization's objectives only if doing so will meet their personal needs.

Signs of untrustworthy leaders, both toxic and transitional, include these *mals*: (1) *mal-adjusted* (poor fits with their positions and organizations), (2) *malcontent* (continually dissatisfied with themselves, their circumstances and others), (3) *malfunction* (personal interests take precedence over those of the organization, which then begins to suffer), (4) *malevolent* (produce fear in others), (5) *malicious* (vindictive, wishing to harm others who challenge them), and (6) *malfeasance* (engage in unethical, unprofessional and illegal behavior).

Self-Centeredness

Self-centered leaders are proud of themselves and their accomplishments. They lack empathy for others and can't see other points of view or learn from followers. They are too important to do "little things" such as making their own coffee or standing in line, so they hire others to handle these tasks for them.⁶ Their focus is on defending their turf and maintaining their status instead of on cooperating with other groups to serve the common good. Ego-driven leaders ignore creative ideas and valuable data that come from outside their circles of influence.

Goal blockage helps explain the impact of self-centeredness on bad leadership. If self-centered leaders believe that they can't achieve money, status, organizational recognition, or other goals, they often respond with deviant and aggressive behavior. They might engage in fraud and embezzlement, for instance, or mistreat followers who appear to be keeping them from reaching their goals.⁷ However, success may pose just as great a danger. Successful leaders who reach their objectives often become complacent and lose their focus. They shift their attention to leisure, entertainment, and other self-centered pursuits and fail to provide adequate supervision. They begin to use resources—information, people, power—to fulfill their personal desires instead of serving the group. Overconfident, they have the inflated belief that they can control the outcomes of a situation even when they can't.⁸

Hubris describes the excessive pride of top leaders. The term first appears in Greek mythology to refer to “a sense of overweening pride, a defiance of the gods,” which generally ends in death and destruction.⁹ The myth of Icarus is the best known of these myths. Icarus’s father fashioned a set of artificial wings out of wax and feathers so that he and his son could escape the island where they were being held captive. Icarus ignored his father’s warning not to fly too close to the sun. Infatuated with his ability to soar and the adoration of onlookers who mistook him for a god, Icarus rose too high. The wax on his wings melted and he crashed to his death in the sea. Modern hubristic leaders equate themselves with their organizations and resist attempts to step down from power. Former Disney CEO Michael Eisner, for example, had a reputation for arrogance, engaging in nasty court fights with top executives he hired and then fired. He had to be forced to retire and few mourned his exit.¹⁰ CEOs driven by hubris are more likely to engage in unethical behavior because they ignore moral considerations when making decisions.¹¹

Greed is another hallmark of self-oriented leaders. They are driven to earn more (no matter how much they are currently paid) and to accumulate additional perks. Greed focuses attention on making the numbers—generating more sales, increasing earnings, boosting the stock price, recruiting more students, collecting more donations. In the process of reaching these financial goals, the few often benefit at the expense of the many, casting the shadow of privilege described in Chapter 1.

The international financial crisis of 2008, which stemmed from the collapse of the U.S. housing market, can largely be attributed to greed.¹² Mortgage brokers generated higher commissions and profits by making risky and fraudulent loans. Borrowers often took on too much credit, buying homes or consumer items they couldn’t afford. Wall Street banks, eager to make money off of the mortgage market, repackaged mortgages and sold them to investors as “low-risk” products in the United States, Europe, and elsewhere. AIG and other insurers generated revenue by guaranteeing what turned out to be toxic investments. The financial system nearly collapsed when housing prices dropped and consumers defaulted on their loans, putting lenders, investment bankers, investors, and insurers at risk. Economic observers worry that the pattern could repeat itself as the U.S. housing market heats up again with soaring prices and lower down payment requirements. (Case study 2.1 describes a prominent organization that fell victim to both hubris and greed.)

Personality Disorders

A number of psychologists believe that unethical leadership is the product of destructive personality traits. They identify three closely related traits—narcissism, Machiavellianism, and psychopathy—as the “dark triad” behind the dark side of leadership.¹³ (Box 2.1 describes other personality traits that have also been linked to the darker dimension of leadership.)

Narcissism has its origins in an ancient Greek fable. In this tale, Narcissus falls in love with the image of himself he sees reflected in a pond. Like their ancient namesake, modern-day narcissists are self-absorbed and self-confident. A certain degree of narcissism is normal and healthy, giving us faith in our own abilities and enabling us to recover from setbacks. Moderate narcissism appears to be a positive trait for leaders. Confident and outgoing, narcissists often emerge as leaders. They exude confidence, take bold action, and craft inspirational visions for their followers.¹⁴

High narcissism poses the most danger to leaders and followers. Extreme narcissists have a grandiose sense of self-importance, believe that they are special, like attention, constantly seek positive feedback, lack empathy, and feel entitled to their power and positions. They also have an unrealistic sense of what they can accomplish. Narcissistic leaders engage in a wide range of unethical behaviors. They seek special privileges, demand admiration and obedience, abuse power for their personal ends, fail to acknowledge the contributions of subordinates, claim more than their fair share, lash out in anger, are dishonest, ignore the welfare of others, and have an autocratic leadership style.¹⁵

A number of psychologists and ordinary citizens believe that Donald Trump is America's Narcissist-in-Chief.¹⁶ Mr. Trump clearly likes to be the center of attention and is quick to claim credit for achievements, real or imagined. When asked to rate his performance, he gives himself an A+. (He generally doesn't apologize or admit mistakes.) The president is quick to lash out at critics in tweets while embracing those who praise him. Even working for the White House is risky, as Trump frequently turns on former friends, colleagues, and supporters like Jeff Sessions, Jim Mattis, and Rex Tillerson. Mr. Trump frequently rejects the advice of experts and advisors. For instance, he claimed to know more than defense and intelligence officials who opposed his decision to pull troops from the fight against ISIS in Syria. Nevertheless, millions of Americans continue to support the president, believing that his policies and accomplishments outweigh the risk posed by his self-absorption. (The Leadership Ethics at the Movies case in the student study site describes another narcissistic leader.)

Machiavellianism, like narcissism, is highly self-centered. Richard Christie and Florence Geis first identified this personality factor in 1970. Christie and Geis named this trait after Italian philosopher Niccolò Machiavelli, who argued in *The Prince* that political leaders should maintain a virtuous public image but use whatever means necessary—ethical or unethical—to achieve their ends.¹⁷ Highly Machiavellian individuals are skilled at manipulating others for their own ends. They have a better grasp of their abilities and reality than narcissists but, like their narcissistic colleagues, engage in lots of self-promotion, are emotionally cold, and are prone to aggressive behavior. Machiavellian leaders often engage in deception because they want to generate positive impressions while they get their way. They may pretend to be concerned about others, for example, or they may assist in a project solely because they want to get in good with the boss. Machiavellians often enjoy a good deal of personal success—organizational advancement, higher salaries—because they are so skilled at manipulation and at disguising their true intentions. Nonetheless, Machiavellian leaders put their groups in danger. They may be less qualified to lead than others who are not as skilled as they in impression management. They are more likely to engage in unethical practices that put the organization at risk because they want to succeed at any cost. If followers suspect that their supervisors are manipulating them, they are less trusting and cooperative, which can make the organization less productive.¹⁸

Psychopathy makes up the third side of the dark triangle. Psychopaths have a total lack of conscience, which distinguishes them from narcissists and Machiavellians, who are less ruthless and may experience at least some feelings of guilt and remorse for their actions.¹⁹ Psychopaths are attracted to organizations by their desire for power and wealth. Getting to positions of high power is a game to them, and they are prepared to use any tactic to win. Extroverted, energetic, and charming, they find it easy to enter organizations. Once

hired, they lie and manipulate others in their single-minded pursuit of power and prestige. As a result of their surface charm, social abilities, and political skill, they often rise to the top of their companies. One study of Australian managers found that the percentage of psychopaths rose at every step up the organizational hierarchy, with the highest percentage found in senior management.²⁰ Such leaders can undermine the ethical decision-making processes and climate of entire groups. The destructive behaviors of psychopaths include the following:

- Engaging in fraud
- Unfairly firing employees
- Claiming credit for the work of others
- Using the system to their own advantage
- Increasing employee workloads
- Failing to care for the needs of employees
- Exploiting employees
- Creating conflicts between groups, generating chaos
- Bullying and humiliating workers
- Focusing on short-term gain (their wealth and power)
- Disregarding the interests of investors
- Damaging the environment
- Disrupting organizational communication
- Partnering with other psychopaths

Box 2.1

Dark Side Personality Traits

Robert and Joyce Hogan designed a widely used survey to measure dark side personality factors beyond narcissism, Machiavellianism, and psychopathy. The Hogan Development Scale (HDS) tests for the following dark side personality traits, each of which is related to a personality disorder from the *Diagnostic and Statistical Manual of Mental*

Disorders published by the American Psychiatric Association. These traits can have short-term advantages but, in the long term, undermine leader performance. For example, highly diligent leaders are hardworking and careful but tend to micromanage, find it hard to delegate, and fail to see the big picture.

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Excitable	Moody and hard to please; intense, short-lived enthusiasm for people, projects, or things Sample scale items: “Yells at people when they make mistakes.” “Is easily upset.”
Skeptical	Cynical, distrustful, and doubts others' intentions Sample scale items: “Needs attention.” “Feels mistreated.”
Cautious	Reluctant to take risks for fear of rejection or negative evaluation Sample scale items: “Pessimistic.” “Tense and fearful.”
Reserved	Aloof, detached, and uncommunicative; lacking interest in or awareness of the feelings of others Sample scale items: “Reserved and formal.” “Withdrawn.”
Leisurely	Independent; ignores requests from others and becomes irritated if they persist Sample scale items: “Feels overburdened.” “Holds grudges.”
Bold	Unusually self-confident; feels grandiose and entitled; overestimates capabilities Sample scale items: “Takes advantage of others.” “Expects special consideration.”
Mischievous	Enjoys risk taking and testing the limits; needs excitement; manipulative, deceitful, cunning, and exploitive. Sample scale items: “Bends the rules.” “Has no regrets.”
Colorful	Expressive, animated and dramatic; wants to be noticed and needs to be the center of attention Sample scale items: “Craves attention.” “Life of the party.”
Imaginative	Acts and thinks in creative, and sometimes odd or unusual ways Sample scale items: “Is eccentric.” “Is flighty.”

Diligent:	Meticulous, precise, and perfectionistic; inflexible about rules and procedures; critical of others' performance Sample scale items: "Overly conscientious." "Resistant to change."
Dutiful	Eager to please and relies on others for support and guidance; reluctant to take independent action or to go against prevailing opinion Sample scale items: "Is predictable." "Is indecisive."

The Hogans believe that identifying incompetent or dark leadership serves a moral purpose. "Bad leaders make life miserable for those who must work for them," the Hogans note. "By developing methods of identifying bad managers we can help alleviate some of the unnecessary suffering of the working class."

Source: Adapted from Hogan, R., & Hogan, J. (2001) *Assessing leadership: A view from the dark side.*

International Journal of Selection and Assessment, 9, 40–51. Used by permission.

See also

Harms, P. D., Spain, S. M., & Hannah, S. T. (2011). Leader development and the dark side of personality. *The Leadership Quarterly*, 22, 495–509.

Kaiser, R. B., & Craig, S. B. (2014). Destructive leadership in and of organizations. In D. V. Day (Ed.), *The Oxford handbook of leadership and organizations* (pp. 260–284). New York, NY: Oxford University Press.

Faulty Decision Making

Identifying dysfunctional motivations and personality traits is a good first step in explaining the shadow side of leadership. Yet well-meaning, well-adjusted leaders can also cast shadows, as in the case of Shell UK. In 1995, company officials decided to dispose of the Brent Spar, a large floating oil storage buoy in the North Sea, by sinking it in deep water.²¹ This was the least expensive option for disposing of the structure, and the British government signed off on the project. However, Shell and British government leaders failed to give adequate consideration to the environmental impact of their proposal. Greenpeace activists, who were trying to curb the dumping of waste and other contaminants into the world's oceans, argued that deep-water disposal set a bad precedent. They worried that scuttling the Brent Spar would be the first of many such sinkings, and Greenpeace members twice occupied the Brent Spar in protest. Consumers in continental Europe began boycotting Shell gas stations, and representatives of the Belgian and German governments protested to British officials. Shell withdrew its plan to sink the buoy, and it was towed to Norway instead, where it was cut apart and made part of a quay. Shell later noted that this was a defining event in the company's history, one that made it more sensitive to outside groups and possible environmental issues.

Blame for many ethical miscues can be placed on the way in which decisions are made. Moral reasoning, though focused on issues of right and wrong, has much in common with other forms of decision making. Making a wise ethical choice involves many of the

same steps as making other important decisions: identifying the issue, gathering information, deciding on criteria, weighing options, and so on. A breakdown anywhere along the way can derail the process. Problems typically stem from (1) unsound assumptions and (2) failure of moral imagination.

Decision-making experts David Messick and Max Bazerman speculate that many unethical business decisions aren't the products of greed or callousness but stem instead from widespread weaknesses in how people process information and make decisions. In particular, executives have faulty theories about how the world operates, about other people, and about themselves.²²

Theories About How the World Operates

These assumptions have to do with determining the consequences of choices, judging risks, and identifying causes. Executives generally fail to take into account all the implications of their decisions. They overlook low-probability events, fail to consider all the affected parties, think they can hide their unethical behavior from the public, and downplay long-range consequences. In determining risk, decision makers generally fail to acknowledge that many events happen by chance or are out of their control. America's involvement in Vietnam, for example, was predicated on the mistaken assumption that the United States could successfully impose its will in the region. Other times, leaders and followers misframe risks, thus minimizing the dangers. For instance, a new drug seems more desirable when it is described as working half of the time rather than as failing half of the time.

The perception of causes is the most important of all our theories about the world because determining responsibility is the first step to assigning blame or praise. In the United States, we're quick to criticize the person when larger systems are at fault. We may blame salespeople for trying to sell us extended warranties that are generally a waste of money. However, executives should be blamed for requiring their employees to push these products. Messick and Bazerman also point out that we're more likely to criticize someone else for acting immorally than for failing to act. We condemn the executive who steals, but we are less critical of the executive who doesn't disclose the fact that another manager is incompetent.

Theories About Other People

These are our organized beliefs about how *we* differ from *they* (competitors, suppliers, managers, employees, ethnic groups). Such beliefs, of which we may not be aware, influence how we treat other people. Ethnocentrism and stereotyping are particularly damaging.

Ethnocentrism is the tendency to think that our group is better than other groups, that our way of doing things is superior to theirs. We then seek out (socialize with, hire) others who look and act like us. Military leaders often fall into the trap of ethnocentrism when they underestimate the ability of the enemy to resist hardships. For example, commanders have no trouble believing that their own citizens will survive repeated bombings but don't think that civilian populations in other nations can do the same. Such was the case in World War II. The British thought that bombing Berlin would break the spirit of the Germans, forgetting that earlier German air raids on London had failed to drive Britain

out of the war. American leaders believed that they could quickly overcome Iraqi resistance in the second Gulf War. Instead, fighting continued for years.

Stereotypes, our beliefs about other groups of people, are closely related to ethnocentrism. These theories (women are weaker than men, the mentally challenged can't do productive work) can produce a host of unethical outcomes, including sexual and racial discrimination. (We'll take a closer look at ethnocentrism and stereotyping in Chapter 11.)

Theories About Ourselves

These faulty theories involve self-perceptions. Leaders need to have a degree of confidence to make tough decisions, but their self-images are often seriously distorted. Executives tend to think that they (and their organizations) are superior, are immune to disasters, and can control events. No matter how fair they want to be, leaders tend to favor themselves when making decisions. Top-level managers argue that they deserve larger offices, more money, and stock options because their divisions contribute more to the success of the organization. Overconfidence is also a problem for decision makers because it seduces them into thinking that they have all the information they need, so they fail to learn more. Even when they do seek additional data, they're likely to interpret new information according to their existing biases.

Unrealistic self-perceptions of all types put leaders at ethical risk. Executives may claim that they have a right to steal company property because they are vital to the success of the corporation. Over time, they may come to believe that they aren't subject to the same rules as everyone else. University of Richmond leadership studies professor Terry Price argues that leader immorality generally stems from such mistaken beliefs.²³ Leaders know right from wrong but often make exceptions for (justify) their own actions. They are convinced that their leadership positions exempt them from following traffic laws or from showing up to meetings on time, for example.

Leaders may justify immoral behavior such as lying or intimidating followers on the grounds that it is the only way to protect the country or to save the company. Unethical leaders may also decide, with the support of followers, that the rules of morality apply only to the immediate group and not to outsiders. Excluding others from moral considerations—from moral membership—justified such unethical practices as slavery and colonization in the past. In recent times, this logic has been used to justify separating children from their parents seeking asylum in the United States. (Turn to Chapter 4 for an in-depth look at moral exclusion.)

The loftier a leader's position, the greater the chances that he or she will overestimate his or her abilities. Powerful leaders are particularly likely to think they are godlike, believing they are omniscient (all-knowing), omnipotent (all-powerful), and invulnerable (safe from all harm).²⁴ Top leaders can mistakenly conclude they know everything because they have access to many different sources of information and followers look to them for answers. They believe that they can do whatever they want because they have so much power. Surrounded by entourages of subservient staff members, these same officials are convinced that they will be protected from the consequences of their actions. Former Hewlett-Packard CEO Mark Hurd, for example, believed that he could get away with billing the company for unauthorized travel expenses for a female employee who may have been his lover.

Failure of Moral Imagination

According to many ethicists, moral imagination—recognizing moral issues and options—is key to ethical behavior and works hand in hand with moral reasoning in the decision-making process.²⁵ Moral imagination consists of three related components: (1) sensitivity to ethical dimensions of the situation, (2) perspective taking (considering other people's point of view), and (3) creation of novel solutions.

Former Merck & Co. CEO Roy Vagelos is one example of a leader with a vivid moral imagination. He proceeded with the development of the drug Mectizan, which treats the parasite that causes river blindness in Africa and South America, even though developing the product would be expensive and there was little hope that patients in poor countries could pay for it.²⁶ When relief agencies didn't step forward to fund and distribute the drug, Merck developed its own distribution systems in poor nations. Lost income from the drug totaled more than \$200 million, but the number of victims (who are filled with globs of worms that cause blindness and death) dropped dramatically. In contrast, NASA engineer Roger Boisjoly recognized the ethical problem of launching the space shuttle *Challenger* in cold weather in 1985 but failed to generate a creative strategy for preventing the launch. He stopped objecting and deferred to management (normal operating procedure). Boisjoly made no effort to go outside the chain of command to express his concerns to the agency director or to the press. The *Challenger* exploded soon after liftoff, killing all seven astronauts aboard. Failure of moral imagination also contributed to the crash of the space shuttle *Columbia* 17 years later, as lower-level employees once again failed to go outside the chain of command to express safety concerns.

Moral imagination facilitates ethical reasoning because it helps leaders step away from their typical mental scripts or schemas and to recognize the moral elements of events. Unfortunately, our scripts can leave out the ethical dimension of a situation. Shell officials failed to take into account the ethical considerations of their decision to sink the Brent Spar, for instance. To them, this was a routine business decision, largely based on cost, that would solve an oil industry problem—how to dispose of outdated equipment cheaply. Or consider the case of Ford Motor Company's failure to recall and repair the gas tanks on the Pintos it manufactured between 1970 and 1976. The gas tank on this subcompact was located behind the rear axle. It tended to rupture during any rear-end collision, even at low speed. When this happened, sparks could ignite the fuel, engulfing the car in flames. Fixing the problem would have only cost \$11 per vehicle, but Ford refused to act. The firm believed that all small cars were inherently unsafe and that customers weren't interested in safety. Furthermore, Ford managers conducted a cost-benefit analysis and determined that the costs in human life were less than what it would cost the company to repair the problem.

The National Highway Traffic Safety Administration finally forced Ford to recall the Pinto in 1978, but by that time, the damage had been done. The company lost a major lawsuit brought by a burn victim. In a trial involving the deaths of three Indiana teens in a rear-end crash, Ford became the first major corporation to face criminal, not civil, charges for manufacturing faulty products. The automaker was later acquitted, but its image was severely tarnished.

Business professor Dennis Gioia, who served as Ford's recall coordinator from 1973 to 1975, blames moral blindness for the company's failure to act.²⁷ Ethical considerations were not part of the safety committee's script. The group made decisions about recalls

based on the number of incidents and cost–benefit analyses. Because there were only a few reports of gas tank explosions and the expense of fixing all Pinto tanks didn't seem justified, members decided not to act. At no point did Gioia and his colleagues question the morality of putting a dollar value on human life or of allowing customers to die in order to save the company money. (Turn to Case Study 2.2, Wrecking the Rec Center, for another example of failed moral imagination.)

Moral imagination also enhances moral reasoning by encouraging the generation of novel alternatives. Recognizing our typical problem-solving patterns frees us from their power. We are no longer locked into one train of thought but are better able to generate new options. Consider the response of New York City mayor Michael Bloomberg to the danger of possible violent demonstrations during the 2004 Republican National Convention. Instead of trying to control the movement of protestors and putting more officers on the street (the typical response of mayors), Bloomberg offered peace demonstrators discounts at select hotels, museums, and restaurants during the week of the convention.

Moral Disengagement

While moral decision making has much in common with other forms of reasoning, it does have unique features. Most important, morality involves determining right and wrong based on personal ethical standards. Normally, we feel guilt, shame, and self-condemnation if we violate our moral code by lying when we believe in truth telling, telling a racist joke when we believe in treating others with dignity, and so on. According to Stanford University social psychologist Albert Bandura, we frequently turn off or deactivate these self-sanctions through the process of moral disengagement. Moral disengagement helps account for the fact that individuals can have a clear sense of right and wrong yet engage in immoral activities. “People do not ordinarily engage in reprehensible conduct,” says Bandura, “until they have justified to themselves the rightness of their actions.”²⁸ As a result, they are able to commit unethical behavior with a clear conscience. Using the following mechanisms, they convince themselves that their immoral conduct is moral, minimize their role in causing harm, and devalue the victims of their destructive behavior.²⁹

Turning Immoral Conduct Into Moral Conduct

Moral justification. Moral justification is a process of self-persuasion. Leaders convince themselves that their harmful behavior is actually moral and beneficial. Team captains justify cheating and dirty play as a way of protecting the team members or team honor. Hiding product defects is defended as a way to keep sales up and thus save the company and jobs.

Euphemistic labelling. Euphemistic language has a sanitizing function, making harmful behavior appear more respectable and reducing personal responsibility. Examples include referring to civilians accidentally killed in war as *collateral damage* and using the term *disfellowshipped* to describe those kicked out of some Christian churches. Leaders may also try to exonerate themselves by speaking as if what they did was the product of nameless outside forces. For instance, instead of saying, “I laid employees off,” they say, “There were layoffs.” Or they may use language associated with legitimate enterprises

to lend an aura of respectability to illegitimate ones. Members of the Mafia call themselves “businessmen” instead of criminals, for example, to make their activities appear more acceptable.

Advantageous comparison. Contrast involves comparing unethical or criminal acts with even worse activities, thus making them appear more tolerable. In sports, coaches and players excuse their use of bad language by comparing this offense to more serious violations like fighting with opponents.

Minimizing harm. Displacement of responsibility. Individuals are most likely to sanction themselves for bad behavior if they acknowledge their role in causing harm. Therefore, they often put the blame on someone else so as to minimize their responsibility for doing damage to others. Followers may claim that they were following orders when they inflated sales figures, for instance. Leaders often distance themselves from illegal activities by remaining “intentionally uninformed.” They don’t go looking for evidence of wrongdoing and, if wrongdoing occurs, dismiss these cases as “isolated incidents” caused by followers who didn’t understand corporate policies.

Diffusion of responsibility. Diffusing or spreading out responsibility also lessens personal accountability for immoral behavior. In large organizations, division of labor reduces responsibility. For over a decade, employees in many different divisions of General Motors—engineering, customer service, the legal department—knew about a faulty ignition switch on the company’s small cars. However, they failed to notify their superiors, to communicate with each other, to reach out to victims, or to offer a fix to the problem. Over a hundred deaths have been linked to the defective switch.³⁰

Disregard or distortion of consequences. Hiding suffering is one way to disregard the consequences of harmful actions and reduce the likelihood of self-recrimination. For example, in drone warfare, plane operators cause death and destruction thousands of miles away. Such physical separation makes it easier to kill without remorse. Organizational hierarchies also hide destructive consequences, as executives may not see the outcomes of their choices. They may never visit their oppressive overseas manufacturing facilities, for instance. Or if they order layoffs, they may never come face to face with the distraught employees they eliminated from the payroll.

Devaluing Victims

Dehumanization. It is easier to mistreat others if they are seen as less than fully human. In extreme cases, dehumanization leads to rape, genocide, and other acts of atrocity. Viewing outsiders as savages, degenerates, or fiends encourages brutality. Dehumanization can be much more subtle, however. Many societal forces, such as urbanization, mobility, and technology, make it hard to relate to others in personal ways. When people are strangers, they are more likely to be targeted for mild forms of exclusion such as disparaging comments and unfair comparisons.

Attribution of blame. Blaming others is an expedient way to excuse unethical behavior. In a conflict, each party generally blames the other for starting the dispute and each

side considers itself faultless. Blaming the victim is also common. If the victim is to blame, then the victimizer is freed from guilt. Some sexual harassers, for instance, excuse their behavior by saying that certain women invite sexual harassment by the way that they dress.

Moral disengagement is the product of personal and social forces. Society helps determine personal standards (e.g., it is wrong to cheat or to hurt innocent people), but groups and organizations commonly weaken sanctions for violating personal values. As noted above, leaders who engage in unethical acts often declare that such behavior is essential to achieving worthy goals. They help displace responsibility when they order followers to engage in illegal activities. When some group members dehumanize outsiders, others in the group are more likely to do the same. (Turn to the Focus on Follower Ethics box for a closer look at how leaders encourage followers to disengage.)

Using scales like the one found in Self-Assessment 2.2, researchers have discovered a strong link between moral disengagement and unethical behavior in a variety of settings.³¹ Disengaged children tend to be aggressive and delinquent. Not only are they more likely to bully and to cyberbully, they have less empathy for the victims of bullying. Morally disengaged gamers are more likely to torture and kill innocent civilians when playing. Males are more likely to choose “bad guys” as their avatars when gaming. Morally disengaged high school and college athletes are more prone to antisocial behaviors, such as trying to injure opponents and breaking the rules of the game. At the same time, they are less likely to demonstrate such prosocial behaviors as helping injured opponents or congratulating them for good play. In the work setting, the tendency to morally disengage increases the likelihood of lying, deception, cheating, stealing, computer hacking, favoring the self at the expense of others, damaging company property, using illegal drugs, and making racist remarks. Citizens with a propensity for moral disengagement show higher support for military aggression and harsh punishment for criminals.

Focus on Follower Ethics

Why Good Followers Go Bad (and What to Do About It)

Followers are key to any large-scale criminal enterprise, major scandal, or significant atrocity. Former Detroit mayor Kwame Kilpatrick, for example, looted a nonprofit fund for children and netted \$9.6 million in an extortion scheme involving city contracts. To run his criminal operation, he enlisted the help of family, staff

members, private contractors, and vendors. Thirty-four government officials were convicted along with the mayor. Thousands of Wells Fargo employees created fake customer accounts to boost corporate earnings. ISIS rebels photographed themselves beheading captured Iraqi soldiers.

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Since most people claim to have high personal standards, why do so many “good” followers engage in “bad” (illegal, unethical, cruel, inhuman) behavior? Moral disengagement is one answer to this question. Followers appear

particularly vulnerable to the influence of moral disengagement. They have less power, information, and status, which makes them susceptible to the manipulation of unethical leaders who use the following tactics to persuade them to disengage:

Disengagement Mechanism	Leader Tactic
Cognitive Construal	Emphasize that criminal activities serve moral ends (e.g., a larger vision)
	Make loyalty to the leader and organization the ultimate moral obligation
	Frame morally questionable activities as socially acceptable
Diffusion/Displacement of Responsibility	Re-label harmful actions as harmless or beneficial
	Rely on legitimate power to demand obedience
	Force subordinates to comply through threats, persuasion, rewards, and punishments
Dehumanization of Victims	Create bureaucratic structures which obscure criminal and unethical outcomes
	Focus on positive benefits of compliance (e.g., earning money to support family) and not the negative consequences (e.g., consumers hurt by the product)
Dehumanization of Victims	Encourage followers to ignore victims by focusing on profits and other goals

As followers, we can resist the power of moral disengagement by recognizing that we are always responsible for our actions. We can resist situational influences, as in the case of the Phoenix Veterans Affairs doctor who alerted authorities of falsified patient waiting lists even though his initial letters were ignored. To build your resistance, be alert to the danger of

disengagement and your vulnerability as a follower. Never lose sight of personal your responsibility. Engage in self-questioning to short circuit the mechanisms of moral disengagement. Periodically ask yourself the following:

Mechanism: *Moral justification*. Query: Would I normally think this action is wrong?

Mechanism: *Euphemistic labeling*. Query: Does my language hide what is really going on?

Mechanism: *Advantageous comparison*. Query: Who am I comparing myself to and am I making this comparison to excuse my behavior?

Mechanism: *Displacement of responsibility*. Query: Am I responsible for doing harm or damage even though I want to put blame on others?

Mechanism: *Diffusion of responsibility*. Query: Am I refusing to take responsibility by trying to share the blame with others?

Mechanism: *Disregard or distortion of consequences*. Query: Am I aware of all the possible harmful consequences of my actions?

Mechanism: *Dehumanization*. Query: Am I treating others as less than fully human individuals?

Mechanism: *Attribution of blame*. Query: Am I blaming the other party or a victim to excuse my harmful actions?

Sources

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Lack of Ethical Expertise

Leaders may unintentionally cast shadows because they lack the necessary knowledge, skills, and experience. Many of us have never followed a formal, step-by-step approach to solving an ethical problem in a group. Or we may not know what ethical perspectives or frameworks can be applied to ethical dilemmas. When you read and respond to Case Study 2.3, for example, you may have a clear opinion about whether or not you would support putting company names and logos on space craft. You may be less clear about the standards you use to reach your conclusion, however. You might use a common ethical guideline (“some things should never be commercialized”; “the public and private sectors should remain separate”; “the benefits of branding outweigh the costs”) but not realize that you have done so.

Emotions are critical to ethical decision making and action, as we’ll see in Chapter 6. And it is possible to blunder into good ethical choices. Nevertheless, we are far more likely to make wise decisions when we are guided by some widely used ethical principles and standards. These ethical theories help us define the problem, highlight important elements of the situation, force us to think systematically, encourage us to view the problem from a variety of perspectives, and strengthen our resolve to act responsibly.

Lack of expertise undermines our confidence to act ethically—our *ethical efficacy*. Ethical efficacy is the conviction that we have the motivation and skills to make an ethical choice and follow through on it. Our level of ethical efficacy has a direct impact on our moral behavior. The lower our sense of ethical efficacy, the less likely we will engage in such ethical behaviors as helping coworkers, confronting abusive supervisors, and trying to improve the ethical climate of our organizations.³²

Contextual Factors

Not all shadow casters come from individual forces like unhealthy motivations, faulty decision making, and lack of expertise. Ethical failures are the product of group, organizational, and cultural factors as well. Conformity is a problem for many small groups. Members put a higher priority on group cohesion than on coming up with a well-reasoned choice. They pressure dissenters, shield themselves from negative feedback, keep silent when they disagree, and so on. Alternatively, they may be convinced there is agreement among group members when none exists.³³ Members of these shadowy groups engage in unhealthy communication patterns that generate negative emotions while undermining the reasoning process.

Organizations can also be shadow lands. For instance, pay day lenders are known for taking advantage of the poor, as are rent-to-own furniture outlets. Although working in such environments makes moral behavior much more difficult, no organization is immune to ethical failure. Some companies focus solely on results without specifying how those results are to be achieved, leaving employees in a moral vacuum. Others reward undesirable behavior or fail to punish those who break the rules. Instead, their leaders punish employees who question actions and policies. Such was the case at Volkswagen. Managers and workers were afraid to speak up about a device, installed in 11 million vehicles, that enabled the manufacturer to defeat emissions tests.³⁴ Top managers may fire employees who talk about ethical issues so that they can claim ignorance if followers do act unethically. This “don’t ask, don’t tell” atmosphere forces workers to make ethical choices on their own, without the benefit of interaction. Members of these organizations seldom challenge the questionable decisions of others and assume that everyone supports the immoral acts.

Socialization, as we’ll see in Chapter 10, can be an important tool for promoting ethical climate. However, this process can also encourage employees to set their personal codes aside. Organizations use orientation sessions, training seminars, mentors, and other means to help new hires identify with the group and absorb the group’s culture. Loyalty to and knowledge of the organization are essential. Nonetheless, the socialization process may blind members to the consequences of their actions. For example, leaders at Walmart, who are proud of the company’s culture and accomplishments, are often puzzled when neighborhoods oppose their new supercenters and activists criticize the company for low wages and poor treatment of suppliers. Some organizations may deliberately use the socialization process to corrupt new members.

Cultural differences, like group and organizational forces, also encourage leaders to abandon their personal codes of conduct. (We’ll examine this topic in more depth in Chapter 11.) A corporate manager from the United States may be personally opposed to bribery. Her company’s ethics code forbids such payments, and so does federal law. However, she may bribe customs officials and government officials in her adopted country

if such payments are an integral part of the national culture and appear to be the only way to achieve her company's goals.

The **toxic triangle** is one attempt to explain how contextual factors contribute to the process of destructive leadership.³⁵ In the toxic triangle, destructive leadership is not only the product of toxic leaders, but of two additional forces: susceptible followers and conducive environments. Susceptible followers either conform or collude with destructive leaders. *Conformers* go along because they have unmet needs and low self-esteem, identifying with the leader who offers them a sense of direction and community. Conformers may also have an unconditional respect for authority or fear punishment if they don't obey. *Colluders* actively support their leaders out of ambition (hoping to be rewarded) or because they believe in the leader's goals and values. Conducive environments incorporate four factors: instability, perceived threat, cultural values, and the absence of checks and balances and institutionalization. Instability and threats (i.e., bankruptcy, terrorism) allow leaders to centralize power in order to restore order and deal with the danger. If there are weak values or no institutionalized checks on the power of leaders, such as different branches of government and strong corporate boards of directors, destructive leaders have more discretion to operate.

So far, our focus has been on how external pressures can undermine the ethical behavior of leaders and followers. However, this picture is incomplete, as we will explore in more depth in the last section of the text. Leaders aren't just the victims of contextual pressures but are the architects of the unethical climates, structures, policies, and procedures that cause groups and organizations to fail in the first place. Corporate scandals are typically the direct result of the actions of leaders who not only engage in immoral behavior but also encourage subordinates to follow their example. They are poor role models, pursue profits at all costs, punish dissenters, reward unethical practices, and so on.

STEPPING OUT OF THE SHADOWS

Now that we've identified the factors that cause us to cast shadows as leaders, we can begin to master them. To do so, we will need to look inward to address our motivations; improve our ethical decision making; acquire ethical knowledge, strategies, and skills; and resist negative contextual influences as we create healthy ethical climates. The remainder of this text is designed to help you accomplish all of these tasks.

I hope you will view your ethical development as part of your overall development as a leader. According to researchers at the Center for Creative Leadership (CCL), we can expand our leadership competence. The skills and knowledge we acquire—including those related to ethics—will make us more effective in a wide variety of leadership situations, ranging from business and professional organizations to neighborhood groups, clubs, and churches.³⁶ CCL staff members report that leader development is based on assessment, challenge, and support. Successful developmental experiences provide plenty of feedback that lets participants know how they are doing and how others are responding to their leadership strategies. Such feedback can be formal (360-degree feedback, surveys) and informal (feedback from colleagues, observing the reactions of coworkers). Assessment data provoke self-evaluation (“What am I doing well?” “How do I need to improve?”) and provide information that aids in self-reflection. Simply put, a leader learns to identify gaps between current performance and where he or she needs to be and then learns how to close those gaps.

The most powerful leadership experiences also stretch or challenge people. As long as people don't feel the need to change, they won't. Difficult and novel experiences, conflict situations, and dealing with loss, failure, and disappointment force leaders outside their comfort zones and give them the opportunity to practice new skills. Each type of challenge teaches a different lesson, so leaders need a variety of experiences. A formal leadership program can reveal a leader's ethical blind spots, for example, and experiencing failure can develop perseverance and resilience.

To make the most of feedback and challenges, leaders need support. Supportive comments ("I appreciate the effort you're making to become a better listener." "I'm confident that you can handle this new assignment.") sustain the leader during the struggle to improve. The most common source of support is other people (family, coworkers, bosses), but developing leaders can also draw on organizational cultures and systems. Supportive organizations believe in continuous learning and staff development, provide funds for training, reward progress, and so on.

All three elements—assessment, challenge, and support—should be part of your plan to increase your ethical competence. You need feedback about how well you handle ethical dilemmas, how others perceive your personality and character, and how your decisions affect followers. You need the challenges and practice that come from moving into new leadership positions. Seek out opportunities to influence others by engaging in service projects, chairing committees, teaching children, or taking on a supervisory role. You also need the support of others to maximize your development. Talk with colleagues about ethical choices at work, draw on the insights of important thinkers, and find groups that will support your efforts to change.

Emeritus Wright State University ethics professor Joseph Petrick believes that we should develop three broad types of ethical competencies.³⁷ *Cognitive decision-making competence* encompasses all the skills needed to make responsible ethical choices, including moral awareness, moral understanding, moral reasoning and dialogue, and the resolution of competing arguments and demands. *Affective prebehavioral disposition competence* describes the motivation needed to act on ethical choices. To match our words with our deeds, we need to be morally sensitive, empathetic, courageous, tolerant, and imaginative. *Context management competence* focuses on creating and shaping moral environments. Essential context management skills involve managing formal compliance and ethics systems, overseeing corporate governance, and exercising global citizenship.

Donald Menzel, former president of the American Society of Public Administration, identifies five important moral competencies for those serving in government, which can apply to those in other professions as well.³⁸ First, as leaders, we should be committed to high standards of personal and professional behavior. Second, we ought to understand relevant ethics codes and laws related to our organizations. Third, we have to demonstrate the ability to engage in ethical reasoning when confronted with moral dilemmas. Fourth, we must identify and then act on important professional values. Fifth, we have to demonstrate our commitment to promoting ethical practices and behaviors in our organizations. In order to demonstrate competence, we need to³⁹

- strengthen our knowledge of ethics codes and standards;
- strengthen our reasoning skills and the ability to identify difficult ethical situations;

- strengthen our problem-solving skills when a variety of moral principles, laws, principles, constituencies and the public interest must be considered;
- strengthen our ability to advocate for principled decisions;
- strengthen our self-awareness and consensus building skills to consider other positions and to work together on solutions;
- strengthen our ethics-focused attitudes and commitment.

University of Notre Dame psychologists Darcia Narvaez and Daniel Lapsley offer the novice–expert continuum as one way to track our ethical progress.⁴⁰ They argue that the more we behave like moral experts, the greater our level of ethical development. Ethical authorities, like experts in other fields, think differently than novices. First, they have a broader variety of schemas (mental frameworks) to draw from, and they know more about the ethical domain. Their networks of moral knowledge are more developed and connected than those of beginners. Second, they see the world differently than novices. While beginners are often overwhelmed by new data, those with expertise can quickly identify and act on relevant information, such as what ethical principles might apply in a given situation. Third, experts have different skill sets. They are better able than novices to define the moral problem and then match the new dilemma with previous ethical problems they have encountered. “Unlike novices,” Narvaez and Lapsley say, “they know *what* information to access, *which* procedures to apply, *how* to apply them, and *when* it is appropriate.”⁴¹ As a result, they make faster, better moral decisions.

Narvaez and Lapsley argue that to become an ethical expert, you should learn in a well-structured environment (like a college or university) where correct behaviors are rewarded and where you can interact with mentors and receive feedback and coaching. You will need to master both moral theory and skills (see Box 2.2). You should learn how previous experts have dealt with moral problems and how some choices are better than others. As you gain experience, you’ll not only get better at solving ethical problems but will also be better able to explain your choices. Finally, you will have to put in the necessary time and focused effort. Ethical mastery takes hours of practice wrestling with moral dilemmas.

Box 2.2

Ethical Skills: A Sampler

Darcia Narvaez developed the following list of ethical skills that should be incorporated into the training offered in ethical education programs. These are also the abilities that we need to develop as leaders and are addressed in this text. Narvaez developed the list after surveying moral

exemplars like Martin Luther King Jr. and virtue theory, as well as scholarship in morality, moral development, positive psychology, and citizenship. Taken together, these skills help us function well in a pluralistic democracy while promoting the health of society as a whole.

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Ethical Sensitivity (Recognition of Ethical Problems)

Understanding emotional expression
Taking the perspective of others
Connecting to others
Responding to diversity
Controlling social bias
Interpreting situations
Communicating effectively

Ethical Judgment (Decision Making)

Understanding ethical problems
Using codes and identifying judgment criteria
Reasoning generally
Reasoning ethically
Understanding consequences
Reflecting on process and outcome
Coping and resilience

Ethical Focus (Motivation to Act Ethically)

Respecting others
Cultivating conscience
Acting responsibly
Helping others
Finding meaning in life
Valuing traditions and institutions
Developing ethical identity and integrity

Ethical Action (Following Through on Moral Decisions)

Resolving conflicts and problems
Asserting respectfully
Taking initiative as a leader
Implementing decisions
Cultivating courage
Persevering
Working hard

Source: Narvaez, D. (2006). Integrative ethical education. In M. Killen & J. Smetana (Eds.), *Handbook of moral development* (pp. 717-728). Mahwah, NJ: Erlbaum, p. 717. Used with permission of the publisher.

It is important to note that making and implementing ethical decisions takes communication as well as critical thinking skills, as the list in Box 2.2 illustrates. We must be able to articulate our reasoning, convince other leaders of the wisdom of our position, and work with others to put the choice into place. For instance, a manager who wants to eliminate discriminatory hiring practices will have to listen effectively, gather information, formulate and make arguments, appeal to moral principles, and build relationships. Failure to develop these skills will doom the reform effort.

IMPLICATIONS AND APPLICATIONS

- Unethical or immoral behavior is the product of a number of factors, both internal and external. You must address all of these elements if you want to cast light rather than shadow.
- Unhealthy motivations that produce immoral behavior include internal enemies (insecurity, battleground mentality, functional atheism, fear, denying death, evil) and selfishness (pride, hubris, greed).

- The dark triad—narcissism, Machiavellianism, psychopathy—is three personality disorders linked to the dark side of leadership.
- Good leaders can and do make bad ethical decisions because of defective reasoning.
- Beware of faulty assumptions about how the world operates, about other people, and about the self. These can lead you to underestimate risks and overestimate your abilities and value to your organization. Avoid the temptation to excuse or justify immoral behavior based on your leadership position.
- Exercise moral imagination: Be sensitive to ethical issues, step outside your normal way of thinking, and come up with creative solutions.
- Be alert to the process of moral disengagement, which involves persuading yourself that immoral conduct is actually moral, minimizing the harm you cause, and devaluing the victims of your destructive actions.
- Leaders may unintentionally cast shadows because they lack the necessary knowledge, skills, and experience.
- Conformity, supportive followers, socialization, cultural differences and other contextual pressures encourage leaders to engage in unethical behavior.
- Make your ethical development part of your larger leadership development plan. The three key elements of any development strategy are (1) assessment or feedback that reveals any gaps between current and ideal performance, (2) challenging (difficult, new, demanding) experiences, and (3) support in the form of resources and other people.
- Key ethical competencies involve making responsible ethical decisions, being motivated to follow through on moral choices, and shaping the moral environment. Be committed to high standards of personal and professional behavior, understand relevant codes and laws, demonstrate ethical reasoning, act on values, and promote ethical organizational practices and behavior.
- To become more of an ethical expert, learn in a well-structured environment, master moral theory and skills, and devote the necessary time and effort to the task of ethical improvement.

FOR FURTHER EXPLORATION, CHALLENGE, AND SELF-ASSESSMENT

1. In a group, identify unhealthy motivations to add to the list provided in this chapter.
2. Are you working with a narcissistic leader or colleague based on the results of Self-Assessment 2.1? What steps can you take to more effectively work with this individual?
3. Evaluate a well-publicized ethical decision you consider to be faulty. Determine whether mistaken assumptions and/or lack of moral imagination were operating in this situation. Write up your analysis.
4. Complete Self-Assessment 2.2, the Propensity to Morally Disengage Scale. What do your results reveal about your tendency to excuse your unethical behavior? What steps can you take to avoid this form of faulty thinking?
5. Analyze a time when you cast a shadow as a leader. Which of the shadow casters led to your unethical behavior? Write up your analysis.
6. Rate your ethical development based on your past experience and education. Where would you place yourself on the continuum between novice and expert? What in your background contributes to your rating?
7. How much responsibility do followers have for supporting destructive leaders? Are they more

- likely to morally disengage than leaders? Discuss with a partner.
8. Does your employer pressure you to abandon your personal moral code of ethics? If so, how? What can you do to resist such pressure?
 9. Create a plan for becoming more of an ethical expert. Be sure that it incorporates assessment, challenge, and support. Revisit your plan at the end of the course to determine how effective it has been.

STUDENT STUDY SITE

Visit the student study site at <https://study.sagepub.com/johnsonmecl7e> to access full SAGE journal articles for further research and information on key chapter topics.

Case Study 2.1

Hubris and Greed at The Firm

McKinsey & Company is the world's most prestigious and influential consulting business. McKinsey consultants (called *partners*) offer advice to many of the world's largest corporations, including General Motors, General Electric, and Allstate, and such public-sector clients as the U.S. Department of Defense and the British Department of Health. McKinsey is credited with being the driving force behind such modern management trends as strategic planning, downsizing, cost cutting, multidivisional management structure, and high CEO salaries. According to author Duff McDonald, who chronicled McKinsey's history, "So pervasive is the firm's influence today that it is hard to imagine the place of business in the world without McKinsey." Its alumni have served as CEOs or high-level executives at Google, American Express, PepsiCo, Boeing, Sears, and AT&T. According to a *USA Today* survey, McKinsey is the best place to work if you want to become the CEO of a major corporation. (The odds are 1 out of 690.) *In Search*

of Excellence, The War for Talent and other best-selling business books were authored by McKinsey partners.

Company employees and alumni take great pride in their association with McKinsey. They refer to McKinsey, not by name, but as "The Firm." The Firm claims to hire only the best and brightest, many of them Harvard MBAs, who must undergo a rigorous "up or out" yearly review. (One fifth of newcomers fail and are released every year.) One senior partner called the company's consultants "the greatest collection of talent the world has ever seen."² Convinced of its superior talent and services, McKinsey charges more than other consulting companies. It rarely admits failure, putting the blame, instead, on clients. Said another partner, "It's almost never that we fail because we come up with the wrong answer. We fail because we don't properly bring along management."³ Apparently businesses and governments believe that McKinsey's advice is worth the premium price even though McKinsey has

been behind many of the “most spectacular corporate and financial debacles of recent decades.”⁴ It told AT&T that mobile phones had little future, for example, pushed for the failed merger of AOL and Time Warner, and encouraged banks to make risky loans (which contributed to the global recession of 2008). Enron’s Jeffrey Skilling was a former McKinsey partner who hired The Firm to carry out a number of projects at the energy company.

Marvin Bower established the company’s values in the 1930s. His rules included these: Put clients before profits, maintain client confidentiality, tell the truth even if it offends the client, and only do necessary work that the firm can do well. However, his successors as managing partner (CEO) often put more emphasis on making money, sometimes at the expense of clients. Between 1994 and 2003, for example, managing partner Rajat Gupta focused on expansion and cost cutting. He ended “money wasting research” and pushed consultants to avoid projects worth less than \$1 million. Later managing partners tried to reemphasize corporate values but the damage was done. In 2009, former McKinsey director Anil Kumar was convicted of supplying inside information to a hedge fund manager in return for pay offs. In 2011, Rajat Gupta (after he left the firm) was convicted of leaking information he obtained while serving on the boards of Goldman Sachs and Procter & Gamble.

McKinsey employees and alumni, while shocked at how Kumar and Gupta violated client confidentiality, could console themselves that both men acted on their own and not on behalf of the firm. That was not the case when the company decided to do business with the government of South Africa. McKinsey entered into an agreement with the nation’s underperforming electricity supplier, Eskom. Needing a local partner to secure the contracts, McKinsey worked with Trillian, a consulting

firm connected to the powerful Gupta family. In addition, the fee structure, rather than a set amount, was to be based on results, which would potentially generate higher profits but could mean no payout if the firm failed.

The South African partnership and fee structure soon embroiled McKinsey in the greatest crisis in its history, one that eclipsed the insider trading scandal. The Guptas are accused of using their connections to South Africa’s former president Jacob Zuma and his son to secure political appointments and contracts. Critics claim the Gupta family has engaged in “state capture”—taking over South Africa’s economy and government for their personal benefit. Some of the money paid to Trillian allegedly went to bribe government officials and to line the pockets of the Guptas. The contract was never approved by the South African government. South Africans—many of them impoverished—were outraged at the fee (\$117 million) collected by McKinsey from Eskom. The financial condition of the electric company worsened after McKinsey was hired and the price of electricity went up.

McKinsey’s leaders ignored a number of warning signs when deciding to enter the South African market. Some partners objected to the contract with Eskom, noting the country’s corruption and that the contract was awarded without competitive bidding. They worried that Eskom was so troubled that it couldn’t be fixed. Said one former partner who objected to the deal, “Trying to a 100 percent at-risk contract at Eskom is trying to play God. You are really guaranteeing that I can turn around everything, no problem.”⁵ Another warned that the South African office would be “slaughtered” for the size of the contract. However, the firm decided to go forward, apparently driven in large part by hubris and greed. South African staff overestimated their knowledge of the local political situation

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and their ability to turn Eskom around. The partners in charge of energy projects for McKinsey apparently couldn't resist a contract that had the potential to be the biggest ever in Africa. According to David Lewis, director of the South African nonprofit Corruption Watch, "For the scale of the fee, they were prepared to throw caution to the wind, and maybe because they thought they couldn't be touched."⁶

The scandal seriously damaged the firm's reputation. It also lost a number of South African clients, including Coca Cola and petrochemical company Sasol Ltd. Social activists picketed McKinsey and the company was pilloried on social media. Current managing partner Kevin Sneader acknowledges that the trust of South Africans in McKinsey is "understandably, very low."⁷ He pledged to address mistakes, including the failure of the firm's governance structure. He also admitted that the company had failed to improve Eskom and that the fee was too large. Sneader further noted that McKinsey was "too distant to understand the growing anger in South Africa" over state corruption.⁸ He appointed a new director of the Africa division and replaced much of its staff. McKinsey repaid the 11.7 million it charged Eskom. However, these steps may not be enough to satisfy South Africans. South African parliamentary leaders filed fraud and racketeering charges and urged the U.S. Securities and Exchange Commission and Britain's Serious Fraud Office to investigate. Corruption Watch's Lewis echoed the thoughts of many South African critics when he declared, "We will not be satisfied with anything other than criminal convictions."⁹

Discussion Probes

1. When does healthy pride become hubris? How can you tell the difference?

2. What steps should leaders take to make sure that profit doesn't become more important than values?
3. How can leaders and organizations keep from becoming overconfident?
4. Given South Africa's widespread poverty, was McKinsey's fee unethical?
5. What can other leaders and organizations learn from the experience of The Firm?

Notes

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Case Study 2.2

Wrecking the Rec Center

Strong Lives, a regional nonprofit, operates the recreation center for the Minnesota town of Forest Lake. The city subsidizes the center's operation and residents who join pay a membership fee. The facility houses cardio and weight equipment, a swimming pool and teen center, exercise classrooms, and a large community room. Low income residents pay less for their memberships, which are subsidized through donations. Those with physical and mental disabilities use the equipment weekly. Members can take a variety of exercise and health classes and a number of community groups (Alcoholics Anonymous, ALANON, book clubs, job-seeker groups, mental health support groups, seniors) make regular use of the large meeting room. A survey found strong support for the recreation center, with 80% of the town's residents approving of current operations.

When Strong Lives' 20-year contract with Forest Lake came up for renewal, the mayor and several city council members objected to continuing the partnership. They claimed that too much of the money paid by the city went to support Strong Lives operations in other towns. They argued that the town could reduce its costs by contracting with a private health club like Planet Fitness or Gold's Gym. The council then solicited bids for the new contract. The winning (lowest) bid came from Northern Healthy, which operates a network of private health clubs in the upper Midwest. Strong Lives came in second. In order to operate at reduced cost, Northern Healthy would eliminate programs for special needs and low income residents and would convert the community room into

additional work out space. Membership rates would increase. Most of the current employees would be replaced and new ones hired at reduced salaries.

Reaction to the council's decision was fast and furious. Opponents bombarded council members with e-mails not only protesting the membership fee increase but pointing out that the recreation center was really a community activity center and that service to the needy would end if Northern Healthy took over operations. The council held firm, however, defending its decision based on the potential cost savings. Frustrated with the mayor and those who voted for the new contract, the opposition launched a successful recall drive. The mayor and her supporters were removed from office. The new mayor and replacement council members cancelled the contract with Northern Healthy and renewed the agreement with Strong Lives.

Discussion Probes

1. What are the ethical considerations in this situation?
2. How did the mental script of the mayor and council members prevent them from understanding the moral elements of this situation?
3. How is the decision of the council an example of failed moral imagination?
4. What solutions might have addressed the concerns of the council without cancelling the current contract?

Case Study 2.3

Brands in Space

Corporate names are emblazoned on everything from park benches, water towers, and race cars to football stadiums and basketball arenas. Soon company logos may also appear on the side of rocket ships, space shuttles, and the International Space Station. Imagine the next Mars rover as the Michelin Tire Trailblazer with the Michelin Man painted on its side, for example, or the Nike swoosh adorning a rocket on the launch pad.¹

The National Aeronautics and Space Administration (NASA) is considering selling naming rights to spacecraft, renting space on the International Space Station, and allowing astronauts to appear in commercials. NASA administrator Jim Bridenstine formed an advisory committee to explore the possibility of boosting the NASA brand through corporate sponsorships. Bridenstine hopes to raise money for his agency. Bridenstine also hopes to raise the visibility of NASA and to make space activities a more important part of American culture. He believes that promoting astronauts, such as putting them on the covers of cereal boxes, would give them celebrity status: "I'd like to see kids growing up, instead of maybe wanting to be like a professional sports star, I'd like to see them grow up wanting to a NASA astronaut, or a NASA scientist."² Astronauts earning endorsement money would be less likely to leave for private space companies like SpaceX and Boeing after the public has spent millions training them.

Selling naming rights would mark a major shift for NASA. Up to this point, the agency has resisted endorsing any product or company. For example, the M&Ms that astronauts eat in space are called "candy covered chocolates." Current ethics rules prevent government officials, including astronauts, from using their offices for private

gain. Astronauts are even forbidden from carrying out experiments that might have commercial applications. NASA allows Target, Old Navy, and other retailers to use its logo on T-shirts, hats, wallets, backpacks, and other items but makes no money off these sales. If the agency changes its policy, it wouldn't be the first to commercialize space. Pizza Hut paid \$1 million to put its logo on a Russian rocket and two Russian cosmonauts appeared on QVC to endorse a pen they used to write when weightless. A Canadian astronaut sang David Bowie's song "Space Oddity" while on the space station and then sold the recording after returning to earth.

Critics of commercialization note that selling endorsement rights might not make a big dent in NASA's budget because the costs of individual projects can run billions of dollars. Without an act of Congress, any money collected would go into the treasury, not to the agency, to pay for other government programs. Congress might cut back on funding if it thinks NASA has income from private sources. Observers worry that astronauts receiving money from corporations would have to decide between their loyalty to a company and loyalty to public service.

Selling naming rights in space could backfire since NASA is seen as "refuge" from commercialization. According to space historian Robert Pearlman, "Spaceflight has fostered the idea of space being something of a pristine atmosphere. We leave our problems behind and for some people, branding has gone overboard here on Earth."³ Congressional representatives may object to additional commercial ties. In response to a 1993 proposal to put a billboard in space, then Congressman (now Senator) Ed Markey quipped,

Every sunrise and sunset would beam down the logo of Coke or GM or the Marlboro Man. That would turn our morning and evening skies, often a source of inspiration and comfort, into the moral equivalent of the side of a bus.⁴

Discussion Probes

1. Should astronauts be able to make commercial deals?
2. Will additional commercial ties boost or hurt the NASA brand?
3. Do the benefits of commercial ties in space outweigh the costs?
4. If you were on the advisory council, would you support or oppose naming spacecraft and permitting product sponsorships? Would you limit what could be advertised?
5. Are there some things and events that should never be commercialized? Why?

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4. Davenport.

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SELF-ASSESSMENT 2.1

Narcissistic Leader Scale

Instructions: Think about one of your leaders who is causing you unhappiness and stress. To determine if this person may be demonstrating narcissistic tendencies, answer each of the following questions.

1. Do you often feel that you only exist for the purpose of listening to or admiring your boss's extraordinary skills and talents?
2. Are you easily irritated or hurt when you do not receive a turn?
3. Do you feel as if your boss maintains too serious a level of pride? Do you feel
- hesitant to give your opinion when you know your opinion will be different from hers or his?
4. Do you frequently feel that the outcome of your conversation rests solely on her or his current mood?
5. Do you feel as if your boss controls you?
6. Do you fear that you will anger her or him, face retaliation from her or him, or be cut off by her or him?
7. Do you struggle to say no?

8. Does the relationship drain you or are you worried that it is going to drain your energy?
9. Do you feel lonely in your work relationship with this person?
10. Do you ponder where you stand with regard to your working relationship with him or her?
11. Do you notice yourself doubting what's real?
12. Do you frequently feel frustrated, angry, or resentful after communicating with this person?
13. Do you increasingly experience a mix of feelings, such as anxiety, intimidation, powerlessness, or inadequacy?
14. Do you feel set up as a scapegoat?

Scoring: If you are experiencing several of the feelings described above, you may be dealing with a leader who has narcissist traits. You can also use this scale to evaluate the possible narcissistic behaviors of a coworker by substituting "colleague" for "boss."

Source: Germain, N.-L. (2018). *Narcissism at work: Personality disorders of corporate leaders*. London, England: Palgrave Macmillan, p. 89. Used by permission.

SELF-ASSESSMENT 2.2

Propensity to Morally Disengage Scale

Instructions: Respond to each item below on a scale of 1 (*strongly disagree*) to 7 (*strongly agree*).

1	2	3	4	5	6	7
Strongly Disagree						Strongly Agree

1. It is okay to spread rumors to defend those you care about.
2. Taking something without the owner's permission is okay as long as you're just borrowing it.
3. Considering the ways people grossly misrepresent themselves, it's hardly a sin to inflate your own credentials a bit.
4. People shouldn't be held accountable for doing questionable things when they were just doing what an authority figure told them to do.
5. People can't be blamed for doing things that are technically wrong when all their friends are doing it too.
6. Taking personal credit for ideas that were not your own is no big deal.
7. Some people have to be treated roughly because they lack feelings that can be hurt.
8. People who get mistreated have usually done something to bring it on themselves.

Scoring: Add up your scores on the eight scale items. Possible total score ranges from 8 to 56. The higher the score, the greater your propensity for or likelihood of participating in the process of moral disengagement.

Source: Moore, C., Detert, J. R., Trevino, L. K., Baker, V. L., & Mayer, D. M. (2012). Why employees do bad things: Moral disengagement and unethical organizational behavior. *Personnel Psychology*, 65, 1–48. Used with permission.

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