

# 2

## STEPPING IN AND OUT OF THE SHADOWS

### LEARNING OBJECTIVES

- 2.1 Identify the types of unhealthy leader motivations.
- 2.2 Explain how the “dark triad” of personality traits contributes to unethical leadership.
- 2.3 Describe the factors that contribute to faulty ethical decision-making.
- 2.4 Name situational/contextual factors that contribute to unethical leadership.
- 2.5 Develop strategies for maximizing personal ethical leadership development.

### 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 decision-making, and (3) contextual (group, organizational, societal) factors that encourage people to engage in destructive behaviors. We can begin to step out of the shadows by incorporating our ethical development into our overall development as leaders, adopting a growth mindset, thinking like ethical experts, and developing ethical competencies.

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 making 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 unmet needs, selfishness, greed, and lust.

## Unmet Needs

Public administration professor Marcia Lynn Whicker ties the motivation of toxic leaders to Maslow's hierarchy of needs.<sup>1</sup> 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. 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 *mal*s: (1) *maladjusted* (poor fit with their positions and organizations), (2) *malcontent* (continual dissatisfaction with themselves, their circumstances, and others), (3) *malfunction* (prioritization of personal interests over those of the organization, which then begins to suffer), (4) *malevolent* (a desire to produce fear in others), (5) *malicious* (vindictive; a wish to harm others who challenge them), and (6) *malfeasance* (engagement in unethical, unprofessional, and illegal behavior).

## Selfishness

Self-focused 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.<sup>2</sup> 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. They are motivated to acquire and use power for their personal benefit (*personalized power motivation*) rather than for the benefit of others (*socialized power motivation*). (Turn to Chapter 1 for a closer look at the dangers of misusing power.) Those driven by the selfish desire to influence others are more likely to seek recognition and status, be dishonest, exert their dominance, break the rules, and demonstrate a lack of concern for others.<sup>3</sup>

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 objectives.<sup>4</sup> However, success may pose just as great a danger. Successful leaders who reach their desires 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.<sup>5</sup>

## Greed

Greedy leaders are focused on accumulating more money and perks, no matter how much they currently possess. Greed focuses attention on making the numbers—generating more sales, increasing earnings, boosting the stock price, recruiting more students, collecting more donations—no matter the moral cost. 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 long-running television series *American Greed* highlights the power of greed by telling the stories of greedy leaders from all walks of life who ran afoul of the law. Examples include:

- the Chicago doctor who fraudulently billed Medicare for over a million dollars.
- numerous financiers who bilked investors (sometimes friends and fellow church members), using their money to underwrite luxurious lifestyles.
- a Philadelphia con man imprisoned for heading an auto insurance fraud scheme involving 267 employees.
- a former Sotheby's auction chair convicted of price fixing.
- two Wall Street traders who employed strippers to steal inside trading tips from bankers.
- a dentist who sold body parts removed from funeral home corpses.
- three Kentucky lawyers convicted of swindling clients out of \$200 million from a class-action lawsuit.
- a union official who diverted \$42 million from a retirement fund.
- two brothers jailed for running a firm that sold fake vehicle service contracts.
- a former army intelligence officer who started a bogus veterans charity.
- ex-New Orleans mayor Ray Nagin, who was imprisoned for taking bribes as the city rebuilt after Hurricane Katrina.

## Lust

Leadership experts Barbara Kellerman and Todd Pittinsky use the term “lust” to describe the drive, the hunger, the passion that motivates some leaders. They define lust as a “psychological drive that produces intense wanting, even desperately needing to obtain an object or to secure a circumstance.”<sup>6</sup> Achieving the object or circumstance only brings temporary relief; the drive then rekindles. While lust is generally associated with sexual desire, individuals can have other overwhelming hungers. Kellerman and Pittinsky identify six objects of desire—power, money, sex, success, legitimacy, and legacy—and describe leaders who lust after each.

- *Lust for power.* Leaders who lust for power have an insatiable craving to control others. As we've seen, moving into leadership roles can feed this desire. The appetite for power

“grows with eating.” Roger Ailes is one leader who lusted for power. Ailes created the highly successful Fox News channel and ruled it with an iron fist. Ailes used his power to sexually harass women through inappropriate comments and sexual relationships, eventually leading to his firing.

- *Lust for money.* Leaders who lust for money take greed to an extreme. They never have enough wealth, and chasing money becomes a compulsion or addiction that produces a physical “high.” Their want for money extends well beyond what they need. Billionaire investor Warren Buffett lusts for money, which has made him one of the richest people on earth and, as the “Oracle of Omaha,” a thought and business leader. Buffett doesn’t seem interested in spending his money, just in making it. In fact, he is extremely frugal, grabbing breakfast at McDonald’s, using the same wallet for 20 years, and living in the same modest house for 60 years.
- *Lust for sex.* These leaders are on the constant lookout for sexual gratification, even if it puts their positions and reputations in danger. Male leaders who ascend to power often begin to focus on their sexual wants while exercising less impulse control. For example, John F. Kennedy was described as a “sex maniac” by one White House official. At times, his sexual recklessness put national interests at risk. One of his partners was connected to a Mafia mob boss, and another was believed to be an East German spy. Silvio Berlusconi, former Italian prime minister and former member of the European Parliament, also lusted after sex, hosting orgies and engaging in a series of extramarital affairs, some involving underage girls.
- *Lust for success.* Leaders lusting for success have an unstoppable, never-ending drive to achieve. Other leaders want to be successful, but not as intensely as these individuals. Hillary Clinton has a lust to succeed that has taken her to loftier and loftier positions. She has been an influential Little Rock lawyer, first lady, New York senator, U.S. secretary of state, and, finally, presidential candidate. Clinton could have had a long, productive career as a senator, but that didn’t satisfy her lust. Instead, she wanted to be president, even though she faced significant barriers as a woman and from legions of “Hillary haters.” Former National Football League quarterback Tom Brady is also driven to achieve. He continued to play his position long after the age of retirement for other quarterbacks, even though he risked serious injury every time he went onto the field. He had a legendary work ethic, continuing to work out long after practice had ended. He hated to lose, saying, “I’ve never gotten over one loss I’ve had in my career. They always stick with you.”
- *Lust for legitimacy.* Leaders who lust for legitimacy are driven to gain acceptance for previously marginalized groups (e.g., women, gay people, Latinas) that have been stigmatized and ostracized by the larger group of which they are a part. Mission driven, they take on a massive task that requires mobilizing the weaker group and influencing the oppressors who hold the power. They try to transform society while fighting the perception that members of their group can’t be leaders. Leaders pursuing legitimacy carry out four steps: define the problem, propose a solution, model the action, get others

to join in. Nelson Mandela was driven by the need to gain acceptance for Black South Africans. He led efforts to overturn apartheid, which resulted in his imprisonment from age 44 to age 71. After being freed from jail in 1990, he led negotiations to end whites-only rule and served as the nation's first Black African president.

- *Lust for legacy.* Leaders lusting for legacy want to leave something lasting behind that benefits other people. They hope to make a “big difference” by addressing global problems like disease, addiction, poverty, and climate change. Hungarian-born hedge fund investor George Soros seeks to leave a legacy of open, democratic societies. He gives millions to promote democratic governance in Eastern Europe. He also gives millions to groups in the United States that promote gay rights, access to abortion, and curbs on political power. So far, his efforts in Eastern Europe have been unsuccessful. (Some countries in the region are now more, not less, authoritarian.) Nevertheless, Soros keeps on giving, refusing to abandon his lust for legacy.

Lustful leaders don't always cast shadows, as in the case of Nelson Mandela, but they should be aware of what drives them. Kellerman and Pittinsky urge leaders to recognize how lust can be dangerous—harmful to themselves and others—and encourage them to channel their intense drive for good purposes.

## SHADOW CASTERS: PERSONALITY DISORDERS

A number of psychologists believe that unethical behavior is the product of destructive personality traits. They identify three related traits—narcissism, Machiavellianism, and psychopathy—as the “dark triad” behind the dark side of leadership.<sup>7</sup> (The “Focus on Follower Ethics” box examines the role of the dark triad in shadow followership.)

*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.<sup>8</sup>

High narcissism poses the most danger to leaders and followers. Extreme narcissists have a grandiose sense of self-importance, believe 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.<sup>9</sup> (A number of psychologists and ordinary citizens believe that Donald Trump is a narcissistic leader, noting that he clearly likes to be the center of attention and is quick to claim credit for achievements, real or imagined, while refusing to apologize or to admit mistakes and defeat.)<sup>10</sup>

## FOCUS ON FOLLOWER ETHICS

### DARK-TRIAD FOLLOWERS

Destructive personality traits can produce unethical followership as well as unethical leadership. Narcissism, Machiavellianism, and psychopathy are linked to the dark side of followership just as they are tied to the shadow side of leadership. Dark-triad followers generally do less damage than dark-triad leaders because they have less power and fewer resources. Nevertheless, they can undermine the success of their coworkers and the organization.

*Narcissistic followers* often take credit for others' work, overrate their creativity, and feel less bound by the rules. They can become aggressive after receiving negative feedback and give more favorable treatment to those who reinforce their positive self-image. *Machiavellian followers* continually look to benefit themselves. They distrust their leaders and their colleagues. They seek to control and to reduce the influence of others. Machiavellians withhold information in the workplace and can be abusive if they can get away with doing so. They are skilled at forming alliances and focus on achieving their goals without taking the perspectives of others into account.

*Psychopathic followers* are highly competitive, emphasizing their superiority while making others feel inferior. Ruthless, they don't consider the wants and needs of their colleagues. They make bold, risky decisions that are unethical and violate organizational rules. Psychopaths direct attention away from their personal agendas by creating organizational chaos through questioning organizational leaders, rules, and processes. They create chaos in coworkers' personal lives by luring them into destructive lifestyles (heavy drinking, drug use) or by seducing them into short-term romantic relationships.

Researchers report that dark-side followers flourish in unethical organizations where there is little accountability. However, investigators are still determining the effects of pairing dark-triad followers with dark-triad leaders. So far, evidence suggests that narcissistic followers are frustrated by narcissistic leaders who claim the spotlight. Machiavellian employees working under Machiavellian leaders are less trusting and more stressed. Psychopathic leaders and followers may be attracted to one another.

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#### Sources

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The *hubris syndrome*, which incorporates narcissism, is an acquired personality disorder that emerges only when individuals move into high-power positions.<sup>11</sup> The term *hubris* 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. Greeks used the myth of Icarus to demonstrate the risks of hubris. Icarus and his father Daedalus were exiled to the isle of Crete. To escape, Daedalus fashioned wings out of feathers for himself and his son. Before they took off, Daedalus

warned Icarus to fly neither too low nor too high. Observers on the ground, seeing the duo soaring above, believed them to be gods. Intoxicated by his godlike status, Icarus flew too close to the sun, melting the wax holding his wings together. He crashed to his death in the sea.

Modern examples of those suffering from the hubris syndrome include former U.S. president George W. Bush and former British prime minister Tony Blair. Both ignored or overrode the advice of advisers and decided to invade Iraq in 2002. They were convinced that they were doing God's work and trusted their intuition. Bush declared that the mission was accomplished shortly thereafter, but the war dragged on, at last count costing \$2 trillion and resulting in the deaths of 182,000 civilians. Bush left office with an abysmal approval rating, and Blair was ousted by members of Parliament. Hubris is not limited to men. Former British prime minister Margaret Thatcher was removed from her leadership role due to her arrogant treatment of advisers and fellow party leaders.

Hubristic leaders demonstrate the following:

1. *A grandiose sense of self.* They use a grandiose communication style filled with use of the royal *we* (e.g., “We will take charge of the situation”) and superlatives (*perfect, tremendous, outstanding*) and express extreme ambition.
2. *Overestimation of their own abilities, power, and chances of success.* They take on unrealistic projects and make poor decisions.
3. *A sense of themselves as uniquely and eternally qualified to run the company, government, or other organization.* They entrench themselves through accumulating power and refuse to resign.
4. *A sense of themselves as above the community of humans.* They manage by fear, violence, and intimidation and refuse advice and criticism.
5. *A sense of themselves as above the law or the gods.* They engage in fraud, manipulate the rules, and demonstrate contempt toward authorities.

Investigators report that corporate leaders suffering from the hubris syndrome ignore the ethical dimension of decisions, pay too much for acquisitions, overdiversify, fail to develop a coherent strategy, underestimate risk, take on too much debt, steal, overestimate the chances that mergers will succeed, make risky investments, and don't adjust to changing market conditions.<sup>12</sup> (Case Study 2.1, “WeWork's Adam (and Rebekah) Neumann,” describes two business leaders who fell victim to hubris.) Researchers also suggest that hubristic leaders can create hubristic organizational cultures, as in the case of the prestigious consulting firm McKinsey & Company.<sup>13</sup> Employees and alumni refer to McKinsey not by name but as “The Firm.” One senior partner called the Firm's consultants “the greatest collection of talent the world has ever seen.” Convinced of its superior talent and service, the Firm charges more than other consulting companies. The company rarely admits failure, even though it played a role in such debacles as the merger of AOL and Time Warner, the collapse of Enron, and government corruption in South Africa. The Firm paid a \$600 million fine for helping Purdue Pharma “turbocharge” OxyContin sales during the opioid crisis.

Not all top leaders fall victim to hubris, of course. But they are more likely to develop this personality disorder if they have been in power for an extended period of time, have enjoyed a track record of success, and have been praised by the press and the public. (Complete Self-Assessment 2.1 to determine if your leader suffers from hubristic pride.)

## SELF-ASSESSMENT 2.1

### HUBRISTIC PRIDE SCALE

#### Instructions

To what extent do the following adjectives apply to your leader or a public figure of your choice? Use the following scale:

1	2	3	4	5
Not at all	Somewhat	Moderately	Very Much	Extremely

Arrogant  
 Conceited  
 Egotistical  
 Pompous  
 Smug  
 Snobbish  
 Stuck-up

#### Scoring

Add up your scores (range 7–35). The higher the score, the more you believe this leader suffers from hubris.

#### Looking Deeper

What behaviors led you to rate this individual high or low on hubristic pride? How can you keep yourself from falling victim to excessive pride when you move into a leadership role?

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#### Source

Tracy, J. L., & Robins, R. W. (2017). The psychological structure of pride: A tale of two facets. *Personality Processes and Individual Differences*, 92(3), 506–525, p. 520.

*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.<sup>14</sup> 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 less cooperative, which can make the organization less productive.<sup>15</sup>

*Psychopathy* makes up the third side of the dark triangle. (Box 2.1 describes other personality traits that have also been linked to the darker dimension of leadership.) 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.<sup>16</sup> 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.<sup>17</sup> 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 in leaders, 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.

Excitable	Moody and hard to please; has 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; lacks 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."

### See also

Harms, P. D., Spain, S. M., & Hannah, S. T. (2011). Leader development and the dark side of personality. *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). Oxford University Press.

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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.

## SHADOW CASTERS: 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.<sup>18</sup> 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 consider 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. (See Chapter 6 for more information on the ethical decision-making process.) A breakdown anywhere along the way can derail the process. Problems typically stem from (1) faulty assumptions, (2) failure of moral imagination, (3) moral disengagement, and (4) lack of ethical expertise.

### Faulty Assumptions

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. Corporate executives hold two sets of assumptions that are particularly damaging: faulty theories about how the world operates, and faulty theories about themselves.<sup>19</sup>

*Theories about how the world operates* have to do with determining the consequences of choices, judging risks, and identifying causes. Business leaders generally don't 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 often fail to acknowledge that many events, such as pandemics, bad weather, and recessions, happen by chance or are out of their control. 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 the time rather than as failing half the time.

The perception of causes is the most important of all the 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, management should be blamed for requiring their employees to push these products. 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 ourselves* 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.<sup>20</sup> 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 and preventing undocumented kids from attending school. (Turn to Chapter 4 for an in-depth look at moral exclusion.)

### 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.<sup>21</sup> 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.<sup>22</sup> 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 lift-off, 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 consider 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 and resulting in deaths. 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.<sup>23</sup> Ethical considerations were not part of their script. Because there were only a few reports of gas tank explosions and the expense of fixing all Pinto tanks didn't seem justified, company safety officials decided not to act. At no point did they 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. One group of experts uses moral imagination to design creative technology that reflects the values of users. In one project, researchers interviewed blind adults who rely on public transit and found that they value independence. Visually impaired riders need real-time information about bus stops and arrival times, so the designers created GoBraille, a system using a refreshable Braille display that connects to a smartphone, providing access to speech and GPS. Blind riders can access the data they need without having to rely on fellow passengers or a call center.<sup>24</sup>

## 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 former 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,” said Bandura, “until they have justified to themselves the rightness of their actions.”<sup>25</sup> 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.<sup>26</sup>

### 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 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 labeling.** 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.** 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 were linked to the defective switch.

**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 they dress. Bernie Madoff, convicted of swindling billions in a giant Ponzi scheme, blamed his investors, arguing that they knew the risks of putting money into the stock market.

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.

Researchers have discovered a strong link between moral disengagement and unethical behavior in a variety of settings, including, for example, elementary schools, online gaming, and high school and college athletics.<sup>27</sup> In the work setting, the tendency to morally disengage increases the likelihood of lying, deception, harassment, cheating, stealing, computer hacking, undermining colleagues, favoring the self at the expense of others, social loafing, damaging company property, using illegal drugs, and making racist remarks.

## 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, “Money for Being Alive,” for example, you may have a clear opinion about whether or not you support giving cash to all Americans and/or to the needy. You may be less clear about the standards you use to reach your conclusion, however. You might use a common ethical guideline (“The benefits outweigh the costs, or the costs outweigh the benefits”; “Giving money to everybody would be unfair”; “Cash payments would preserve the dignity of the poor”) 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 be to engage in such ethical behaviors as helping coworkers, confronting abusive supervisors, and trying to improve the ethical climate of our organizations.<sup>28</sup>

## SHADOW CASTERS: CONTEXTUAL FACTORS

Not all shadow casters come from individual forces like unhealthy motivations, dark-side personality traits, and faulty decision-making. Ethical failures are the product of group, organizational, and cultural factors as well. Conformity is a problem for many small groups, as we’ll see in Chapter 9. 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. Or they engage in defensive behavior patterns that prevent them from addressing important issues and problems. 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, payday 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.<sup>29</sup> 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 deliberately use the socialization process to corrupt new members, as in the case of solar panel companies who train their sales forces to lie to customers about the benefits of their product.

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 might be personally opposed to bribery. Her company’s ethics code forbids such payments, as 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.<sup>30</sup> In the toxic triangle, destructive leadership is the product not only 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 and identify 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 and any dark personality traits; 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 these tasks. To start, let's look at how you can maximize your development as an ethical leader.

### Incorporate Your Ethical Development Into Your Leader Development

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.<sup>31</sup> 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.<sup>32</sup> Such feedback can be formal (360-degree feedback, surveys) or 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, leaders learn to identify gaps between current performance and where they need to be and then learn how to close those gaps.

The most powerful leadership experiences 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. (More information on the types of hardships and what we can learn from them is found Chapter 3.)

Leaders also require 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.

### Adopt a Growth Mindset

To make the most of your developmental experiences, adopt a *growth* rather than a *fixed mindset*. Leaders with a growth or learning orientation focus on self-improvement.<sup>33</sup> They set challenging goals focused on what they want to gain from a particular experience (“learn how to articulate my values,” “learn how to stand alone against group pressure,” “learn how to keep my cool during conflict situations”). They work hard to master the skills they need to reach these objectives. Growth mindset leaders recognize that learning means risking failure, which may make them appear incompetent. However, when they don’t succeed, they don’t blame themselves but focus on instead on their failed strategies. They engage in reflection by identifying where they fell short, considering what they might have done differently, and taking concrete steps to improve.

Leaders with a *fixed mindset* focus on self-enhancement rather than on self-improvement. They believe that their personal characteristics, such as their intelligence, shyness, and negotiation ability, are set in stone. They are more interested in performance than in learning and seek easy successes that make them look good (and keep them from looking dumb). As a result, they shy away from challenges. When faced with difficulties, fixed-mindset leaders show helpless reactions, blaming their failure on a flaw in themselves (“I’m just not good at making decisions under time pressures.”) or on a lack of effort (“I just didn’t try hard enough to do the right thing”).

Adopting a growth mindset pays off. Managers with stronger learning orientations are more likely to be in developmental assignments and to achieve higher levels of competence. Employees focused on learning are more engaged with their work. In contrast, workers in organizations that promote a fixed mindset report that their cultures are less collaborative, innovative, and ethical and that they are less trusting and committed.<sup>34</sup> (Complete Self-Assessment 2.2 to determine if you have a fixed or growth mindset.)

Psychologist Carol Dweck offers the following suggestions, which she uses with her university students, for fostering a growth mindset that you can use to promote your ethical development and moral character:<sup>35</sup>

- Think of a time when you enjoyed an activity (doing a puzzle, playing a sport) but then it became hard and you wanted to quit. Instead of giving up, press on.
- Surrounding yourself with people who make you feel faultless will never give you a chance to grow. Seek constructive criticism instead.
- Think back on something in your past that measured you, like a low test score or rejection by a romantic partner. Focus on that event and feel all the emotions that

came with it. Recognize that this event doesn't define you. Ask instead: "What did I or can I learn from that experience?" "How can I use it as a basis for growth?" Carry the answers to these questions with you into the future.

- When you feel depressed, don't let things in your life—schoolwork, friendships, work attendance—slide. Instead, put forth more effort. Consider your effort a constructive force that enables you to learn, to meet challenges, and to confront obstacles.
- Make a plan to do something you've always wanted to do but were afraid you weren't good at.

## SELF-ASSESSMENT 2.2

### MINDSET QUIZ

#### Instructions

Read each statement and decide whether you mostly agree with it or disagree with it.

1. Your intelligence is something very basic about you that you can't change very much.
2. You can learn new things, but you can't really change how intelligent you are.
3. No matter how much intelligence you have, you can always change it quite a bit.
4. You can always substantially change how intelligent you are.
5. You are a certain kind of person, and there is not much that can be done to really change that.
6. No matter what kind of person you are, you can always change substantially.
7. You can do things differently, but the important parts of who you are can't really be changed.
8. You can always change basic things about the kind of person you are.

#### Scoring

Items 1 through 4 reflect your beliefs about your abilities. (You could substitute "artistic talent" or "sports ability" for "intelligence," for example.) Agreement with Items 1 and 2 reflects a fixed-mindset, and agreement with Items 3 and 4 reflects a growth-mindset.

Items 5 through 8 reflect your beliefs about your personal qualities. Agreement with Items 5 and 6 reflects a fixed-mindset, and agreement with Items 7 and 8 reflects a growth-mindset.

#### Looking Deeper

What do your answers reveal about your fixed or growth mindset? How has your mindset helped or hindered your ability to learn from your classes and other experiences? To improve your performance in social situations? To meet the ethical challenges you face? What steps can you take to strengthen your learning orientation? Write up your conclusions.

Source

Adapted from Dweck, C. S. (2016). *Mindset: The new psychology of success*, pp. 12–13. Random House. Used by permission.

## Think Like an Ethical Expert

University of Notre Dame psychologists Darcia Narvaez and Daniel Lapsley offer the novice–expert continuum as one way to track our ethical progress.<sup>36</sup> 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.”<sup>37</sup> 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. 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.

## Build Your Ethical Competencies

Scholars describe a variety of competencies we need to develop if we want to behave more like moral experts. (As you read these descriptions, look for common threads—see “For Further Exploration,” 2.7). Emeritus Wright State University ethics professor Joseph Petrick believes that we should build three broad types of ethical competencies.<sup>38</sup> *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.

Other experts argue that we need to develop competencies that build our *moral intelligence*.<sup>39</sup> Morally intelligent persons use moral principles, as well as their control over their thoughts and behaviors, “to do good” for other people and society. Moral intelligence competencies include:

1. *Moral compass*. Our personal reference system, made up of moral standards, values, and convictions that guide our ethical decision-making and our behavior.

2. *Moral commitment.* Our willingness and ability to make ethical goals a priority and to work toward those goals.
3. *Moral sensitivity.* Our ability to recognize and identify moral issues.
4. *Moral problem-solving.* Our ability to decide on an ethical course of action when faced with complex problems and competing values and standards.
5. *Moral resoluteness.* Our capacity to consistently engage in moral behaviors based on our moral standards, overcoming obstacles along the way.

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.<sup>40</sup> 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 to<sup>41</sup>

- 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, and constituencies and the public interest must be considered;
- strengthen our ability to advocate for principled decisions;
- strengthen our self-awareness and consensus-building skills so we can consider other positions and work together on solutions;
- strengthen our ethics-focused attitudes and commitment.

## IMPLICATIONS AND APPLICATIONS

- Unethical or immoral behavior is the product of a number of factors, both internal and external. You must address all these elements if you want to cast light rather than shadow.
- Unhealthy motivations that produce immoral behavior include unmet needs, selfishness, greed, and lust.
- The dark triad—narcissism, Machiavellianism, and psychopathy—consists of 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 and about the self. These can lead you to underestimate risks and overestimate your abilities and your 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 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 leader 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.
- Make the most of your developmental experiences by adopting a growth or learning mindset.
- 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.
- Key ethical competencies involve making responsible ethical decisions, being motivated to follow through on moral choices, and shaping the moral environment. Strengthen your moral intelligence—your ability to use moral principles and self-control to do good. 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.

### FOR FURTHER EXPLORATION

1. Create a leadership case study from your personal experience that illustrates one or more of the unhealthy motivations or personality disorders in action. Present your case to the rest of the class.
2. Evaluate a well-publicized ethical decision you consider to be faulty. Determine whether mistaken assumptions and/or a lack of moral imagination were operating in this situation. Write up your analysis.
3. Describe the moral disengagement mechanisms operating in a conflict. How has moral disengagement produced immoral behavior in this situation?

4. Analyze a time when you cast a shadow as a leader. Which of the shadow casters led to your unethical behavior?
5. How much responsibility do followers have for supporting destructive leaders? Can destructive followers create destructive leaders? Discuss with a partner.
6. Does your employer pressure you to abandon your personal moral code of ethics? If so, how? What can you do to resist such pressure?
7. What do the lists of ethical competencies presented in the chapter have in common? Based on these commonalities, create your own master list of ethical competencies.
8. 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?
9. Create a plan for becoming more of an ethical expert. Be sure that it incorporates assessment, challenge, and support and reflects a growth mindset. Revisit your plan at the end of the course to determine how effective it has been.

## CASE STUDY 2.1

### WE WORK'S ADAM (AND REBEKAH) NEUMANN: FLYING TOO CLOSE TO THE SUN

WeWork cofounder and former CEO Adam Neumann has been compared to Icarus of the ancient Greek myth. It's easy to see why. Neumann shares much in common with Icarus, who flew too close to the sun. He too experienced soaring success and adoration and believed he was godlike. Like his mythical counterpart, he came crashing to earth in spectacular fashion.

Neumann started humbly enough. Raised on an Israeli kibbutz, Neumann emigrated to the United States, where he lived with his sister. His first two business ventures, selling women's shoes and baby clothes, failed. However, he and a friend convinced their landlord to let them convert part of their clothing manufacturing space into offices, which they then rented out. They sold their company to their landlord and opened up WeWork in 2008.

Neumann envisioned WeWork as a place to build community ("We"), bringing together freelancers who wanted a place to work outside their homes and the local Starbucks. WeWork's brightly lit, airy spaces featured freshly brewed coffee, free beer, and impromptu parties designed to foster relationships. Coworking particularly appealed to millennials who rejected traditional office environments and wanted to make personal connections.

To expand his start-up, Neumann turned to private investors who were charmed by his unorthodox appearance, energy, and vision. He looked like a guru, not a CEO, standing 6 foot 5 inches tall, with shoulder-length surfer hair, and clad in a T-shirt and jeans. Brimming with self-confidence, Adam enthusiastically presented his vision of a company with a mission to bring workers together. He claimed that WeWork was not a staid real estate firm but a more glamorous high-technology platform like Facebook or Airbnb. His sales skills were legendary. One investor joined the company's board of directors after completing a

tour with Neumann, declaring, “You’re not selling coworking, you’re selling an energy I’ve never felt.”<sup>1</sup> Neumann raised over \$12 billion dollars from venture capital funds, mutual funds, and banks looking to strike it rich with the next Amazon or Uber. Large infusions of cash fueled manic growth. Between 2008 and 2019, the company grew from a single Brooklyn building to 859 locations renting to over 500,000 tenants around the world.

Rapid growth put heavy demands on staff, who found themselves working nights and weekends to open up new locations. However, the CEO convinced them they were part of something new and important (they were about “making a life, not just a living”), and employees found being around him “intoxicating.” WeWork seemed more like a movement or cult than a company. Adam would use corporate meetings to rally the troops, declaring, “Every one of us is here because it has meaning, because we want to do something that actually makes the world a better place. And we want to make money doing it!”<sup>2</sup>

Many employees enjoyed the firm’s fraternity house culture. Neumann was known to wander the halls of the company headquarters barefoot, interrupting staff to ask them to join him for a drink or to smoke weed. Shots of tequila were served at company meetings and gatherings. Employees were expected to attend weekly “Thank God It’s Monday” Parties. Every year WeWork hosted summer camps featuring music, speakers, games, and plenty of free beer.

Adam’s ego grew along with the company. He predicted that WeWork would become a trillion-dollar corporation and that he would be the world’s first trillionaire. He was creating an organization that would last for hundreds of years. Adam’s identity merged with that of the company. “WeWork is me,” he proclaimed. “I am WeWork.”<sup>3</sup> Fostering community in the workforce was no longer enough. “We are here in order to change the world,” declared Neumann. “Nothing less than that interests me.”<sup>4</sup> The corporate mission statement became “To elevate the world’s consciousness.”

Neumann styled himself as a world leader and believed he could help bring about peace in the Middle East. At the same time, his behavior became more erratic. He began to skip board of directors’ meetings and show up drunk at other gatherings. Adam was habitually late, sometimes making top company executives wait for hours. Company leaders feared his angry outbursts, and many soon fell out of favor. Neumann reacted poorly to criticism (“You don’t bring bad news to the cult leader,” one executive said).<sup>5</sup> Employees engaged in “peacocking”—trying to impress the CEO rather than warning him about the dangers the company faced.

Rebekah Neumann’s ego nearly matched that of her husband. She demanded to be called one of WeWork’s cofounders and told a website that she was responsible for the messaging, mission, and values of the company. Employees knew better than to get on her bad side. Like Adam, she shared a global vision, telling an interviewer, “We want to create a whole We World, where everybody is unified and happy and together.”<sup>6</sup> Rachel started an educational arm of the company called WeGrow with the objective of “unleashing every person’s superpower.” The elementary school she founded (with tuition ranging up to \$42,000 a year) offered a curriculum including spirituality and entrepreneurship. Rebekah believed that children are ready to begin their life’s work at age five.

The Neumanns adopted a lavish lifestyle that appeared to be more about “I” than “We.” They spent \$90 million on six homes (one with a guitar-shaped room). They took vacations on a \$60 million Gulfstream private plane to Hawaii and the Maldives so Adam could surf. The couple employed several nannies for their five children along with two personal assistants and a chef. Adam traveled to work in a chauffeured superluxury Maybach sedan followed by a SUV that would take riding companions back to the office after their sessions with Neumann ended. Adam enriched himself through selling company stock (when others could

not) and purchased a number of properties that he then leased to WeWork. He demanded that his shares of stock be worth 20 times that of ordinary investors. At one point Neumann purchased the word “We” in “WeWork” and sold it back to the company for \$5.9 million.

All of WeWork’s apparent success was a delusion. The company lost massive amounts of money, \$1.8 billion in 2018 alone. Some of these losses were masked by accounting tricks that, for example, didn’t account for the free rent and other incentives used to lure new tenants. Funds that should have gone into expansion of the core business went into Neumann’s pockets, summer camps, and investments in a movie studio, a wave machine company, and other unrelated ventures. WeWork’s business model put it at risk. The company signed long-term leases and then rented month to month to tenants who could leave at any moment. Further, company officials greatly overestimated the size of the potential market for shared office space, counting anyone who worked at a desk in one of its cities as a potential “member.” WeWork was really in the real estate business, not in high tech. In fact, Adam, who is dyslectic, is nearly computer illiterate.

The end came swiftly for the Neumanns in 2019. The CEO was forced to take WeWork public when he could no longer raise private funds. At the same time, press reports surfaced detailing his marijuana and alcohol use, erratic, abusive leadership style, self-dealing, and lavish lifestyle. (Copyrighting the “We” word was particularly galling, though Neumann later refunded the money.) Stock analysts created a Twitter storm, savaging the prospectus published for the firm’s initial public offering (IPO). They mocked the glossy pictures inserted at Rebekah’s insistence as well as the company’s dedication page (not usually found on such documents) that read:

WE DEDICATE THIS  
TO THE ENERGY OF WE—  
GREATER THAN ANY ONE OF US  
BUT INSIDE EACH OF US.

The Securities and Exchange Commission (SEC) rejected WeWork’s efforts to minimize its losses through creative accounting. Estimates of the company’s valuation collapsed, dropping from \$87 to \$8 billion. Neumann was forced to step down as CEO. The IPO was pulled, and the firm was taken over by its largest investor—Japan’s SoftBank. The company survived to merge with another firm (though its long-term future remains in doubt) and finally be traded on the stock market. But private investors lost billions, and employees lost any chance to profit from their stock options. Many workers lost their jobs as the company massively downsized. Teachers and administrators at WeGrow were laid off as Rebekah closed the elementary school. But unlike the original Icarus, Adam Neumann negotiated a golden parachute to soften his fall, one of the largest ever. He and Rebekah left the wreckage of WeWork with a settlement estimated to be well over a billion dollars.

### Discussion Probes

1. What leadership shadows did the Neumanns cast?
2. In addition to hubris, what other shadow casters do you see in the story of Neumann and WeWork?
3. Do private investors bear any responsibility for the near collapse of WeWork? Should company employees assume any blame?
4. How can you tell the difference between an inspirational and delusional leader? Between a mission-driven organization and a cult?

5. How can we prevent ourselves from falling victim to pride and hubris? How can we help prevent our leaders from doing so?
6. What leadership and followership ethics lessons do you take from this case?

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#### Notes

<sup>1</sup>Sherman, G. (2019, November 21). "You don't bring bad news to the cult leader": Inside the fall of WeWork. *Vanity Fair*.

<sup>2</sup>Wiedeman, R. (2020). *Billion dollar loser: The epic rise and spectacular fall of Adam Neumann and WeWork*. Little, Brown.

<sup>3</sup>Wiedeman (2020), p. 167.

<sup>4</sup>Sherman (2019).

<sup>5</sup>Sherman (2019).

<sup>6</sup>Brown, E., & Farrell, M. (2021). *The cult of we: WeWork, Adam Neumann, and the great startup delusion*. Crown, p. 245.

#### Source

Pan, J. C. (2020, November 4). How WeWork got away with spectacular failure. *New Republic*.

## 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, AL-Anon, 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. 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 workout 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 emails 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 canceled 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 canceling the current contract?

## CASE STUDY 2.3

### MONEY FOR BEING ALIVE: UNIVERSAL/GUARANTEED BASIC INCOME

Sending monthly government checks to Americans just for being alive seems like a radical idea. Under this proposal, there would be no requirements for receiving the money. Citizens could spend the stipends any way they wanted—for school, rent, clothing, taking care of loved ones, surfing, vacationing, or downloading songs from iTunes. However, though the idea appears “absurd” to some, support for providing such unrestricted cash payments is growing.

Some leaders, including 2020 Democratic presidential candidate Andrew Yang, promote a universal basic income, or UBI. They anticipate a time when automation and artificial intelligence will put millions out of work. The unemployed will need a steady income to support themselves and the economy. UBI would function like the stimulus checks sent out during the COVID-19 pandemic. All, or nearly all, Americans would receive the stipends under their plan.

Other leaders, including a coalition of mayors, believe cash should go only to the poor to provide a guaranteed minimum income. They see giving cash as a more effective way to lift people out of poverty. To test the impact of direct payments, Stockton, California, distributed \$500 a month to 125 low-income residents for 24 months. Researchers report that the funds provided the stability that participants needed to set goals and find new jobs. (One recipient was able to take time off to study for his real estate license, for example.) Only 1 percent of the funds went to pay for alcohol or cigarettes. Studies conducted in other U.S. cities as well as in Uganda, Kenya, Liberia, and other countries also demonstrate that

direct grants improve the physical and mental health of recipients and boost their local economies. Yet, because many grant programs are relatively new, investigators can look only at short-term results, not at the long-term impact of direct payments. Other variables, such as the amount of the grants and local economic conditions, also determine if stipends are effective.

Providing a guaranteed minimum income appears to have more support than sending cash to every American. Nevertheless, making direct payments to combat poverty makes many citizens uneasy. They believe that it's immoral to "get something for nothing." To them, giving out "free money" rewards laziness. (This helps explain why current poverty programs often have work requirements.) Some economists argue that guaranteeing a basic income would be too costly and would mean higher taxes and cutbacks in other safety-net programs like Medicare and Medicaid. They worry that recipients will drop out of the workforce, hurting the economy and depriving the poor of work experiences that provide meaning in life. Even proponents of a guaranteed minimum income point out that cash payments should be seen as one tool for lifting people out of poverty. Other programs, such as housing assistance and physical and mental health services, will still be needed.

### Discussion Probes

1. How would you react to getting a monthly government check to spend however you wanted? How would you use the funds? Would it make your life better? How?
2. Did you and/or your family receive a stimulus check during the pandemic? What did you do with the money? Do you think the stimulus program encouraged people to stay at home rather than working? To quit their jobs?
3. Can you think of other questions/issues raised by providing stipends to every American? To just those below the poverty line?
4. Do you support providing a basic income for all Americans? To only the poor? Why or why not?

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