Stepping Out of the Shadows

Darkness is most likely to get a “hold” when you are safely settled in the good and righteous position, where nothing can assail you. When you are absolutely right is the most dangerous position of all, because, most probably, the devil has already got you by the throat.

—PSYCHOTHERAPIST EDWARD EDINGER

If I only had a little humility, I’d be perfect.

—MEDIA MOGUL TED TURNER

WHAT’S AHEAD

In this chapter, we look at why leaders cast shadows instead of light and how they can master these forces. 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) pressures that encourage people to set their personal standards aside. To address these shadow casters, we need to look inward to address our motivations, improve our moral decision making, acquire ethical knowledge and skills, and resist negative situational influences as we create healthy ethical environments. 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.

Only humans seem to be troubled by the question “Why?” Unlike other creatures, we analyze past events (particularly the painful ones) to determine their causes. The urge to understand and to account for the ethical failures of leaders has taken on added urgency with the continuing string of corporate and political scandals. Observers wonder: Why would bright, talented chief executive officers (CEOs) lie to customers, government regulators, and investors; ignore serious safety problems; make fraudulent loans; and engage in insider trading? Why can’t multimillionaire executives be satisfied with what they already have? Why do they feel they need more? Why do politicians lose sight of the fact that they are public servants? How can they urge others to behave ethically at the same time they enrich themselves at taxpayer expense and break the law? (See Box 2.1 for one set of answers to these questions.)
Management professors Dean Ludwig and Clinton Longenecker believe that top managers often become the victims of their own successes, leading even highly moral individuals to abandon their principles. Having achieved their goals after years of service and hard work, these competent, popular, and ethical leaders destroy their careers by engaging in behavior they know is wrong. Ludwig and Longenecker refer to this pattern as the “Bathsheba syndrome,” named for the story of King David reported in both the Bible and the Torah. King David, described as a “man after His [God’s] own heart” in I Samuel 13:14, expanded the national borders of ancient Israel by vanquishing the country’s enemies. Yet, at the height of his powers, he began an affair with Bathsheba. After she got pregnant, he tried to cover up his actions by calling her husband, Uriah, back from the battlefield to sleep with her. When Uriah refused to enjoy the comforts of home while his comrades remained in battle, David sent Uriah back to the front lines to be killed. As Ludwig and Longenecker note, “David’s failings as a leader were dramatic even by today’s standards and included an affair, the corruption of other leaders, deception, drunkenness, murder, the loss of innocent lives” (p. 265). The fallout from David’s immoral behavior was devastating. He lost the child he fathered with Bathsheba; his top military commander, Joab, betrayed him; and one of his sons temporarily drove him from office.

There are four by-products of success that put otherwise ethical leaders in a downward spiral. First, personal and organizational success encourages leaders to become complacent and to lose their strategic focus. They begin to shift their attention to leisure, entertainment, and other self-centered pursuits and fail to provide adequate supervision. David’s problems began, for example, when he stayed home instead of going to war with his men. Second, success leads to privileged access to information and people, which the leader uses to fulfill personal desires (like having sex with Bathsheba) instead of serving the organization. Third, success leads to the control of resources, which the leader then uses selfishly. David employed his power to begin the affair, to call Uriah back from the battlefield, and then to order Joab to put Uriah in the thick of the battle and to withdraw, leaving Uriah and his colleagues to be killed. Fourth, control of resources is often tied to an inflated belief in one’s ability to control the outcomes of a situation. David was confident that he could cover up his actions, but the prophet Nathan later revealed his sins.

Professors Ludwig and Longenecker offer advice to successful leaders to keep them from becoming victims of the Bathsheba syndrome. Be humble—what happened to David and to other successful leaders can happen to any leader, no matter how smart or skilled. Keep in touch with reality by living a balanced life filled with family, relationships, and interests outside of work. Never be satisfied with current direction and performance. Recognize that privilege and status equip leaders for providing a strategic vision and executing strategy; they are not the reward for past performance or for personal gratification. Assemble a team of ethical managers to provide challenge or support as needed. Finally, recognize that ethical leadership is a component of good leadership. Ethical, effective leaders serve as role models, make wise use of resources, build trust, and make good decisions.

Coming up with an explanation provides a measure of comfort and control. If we can understand why something bad has happened (broken relationships, cruelty, betrayal), we may be able to put it behind us and move on. We are also better equipped to prevent something similar from happening again. Such is the case with shadows. If we can identify the reasons for our ethical failures (what I’ll call shadow casters), we can then step out of the darkness they create.

The first section of this chapter identifies common shadow casters; the second section outlines strategies for meeting these challenges. Keep in mind 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: Internal Enemies or 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. 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, as we’ll see in Chapter 10, 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. 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.” 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!”

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, the genocides in Serbia and Sudan, and Islamic State in Iraq and Syria (ISIS) terrorist attacks.

A great deal of destructive leadership behavior is driven by self-centeredness, which manifests itself through pride and greed. 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. 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 objectives.

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. 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.
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, which stemmed from the collapse of the U.S. housing market, can largely be attributed to greed. 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.

**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. (See “Focus on Follower Ethics: The Susceptible Follower” for more information on what motivates subordinates to follow leaders who cast shadows.)

**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. According to researchers, a certain degree of narcissism is normal and healthy, giving us faith in our own abilities and enabling us to recover from setbacks. The problem comes with high levels of this trait. 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.

Moderate narcissism may be positive trait for leaders, at least in the short term. Confident and outgoing, narcissists often as emerge as leaders. They exude confidence, take bold action, and craft inspirational visions for their followers. However, extreme narcissistic leaders engage in a wide range of unethical behaviors. They claim 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. Narcissists put their groups, organizations, and countries at risk because their dreams and visions are unrealistic and can’t be implemented. For example, Napoleon stretched France’s resources beyond the breaking point. Jean-Marie Messier, a modern French business leader, followed in Napoleon’s footsteps by overextending his financial empire. Messier spent $100 billion trying to build Vivendi—originally a French water and sewage provider—into the largest media and entertainment company in the world.
Focus on Follower Ethics

THE SUSCEPTIBLE FOLLOWER

Most researchers interested in studying the impact of destructive leadership concentrate on the traits and behaviors of the leaders. They want to know why these individuals engage in selfish, unethical behavior that undermines the organization and harms others. Focusing solely on the leader, however, can obscure the fact that destructive leadership requires the participation of followers. For example, a medical clinic operator can’t overbill insurance companies for treatments without the cooperation of administrative staff, accountants, and (perhaps) nurses and physicians.

One group of scholars argues that we can gain a better understanding of the process of destructive leadership by identifying the factors that make followers susceptible to the influence of destructive superiors. They place susceptible subordinates into two categories: conformers and colluders. Conformers engage in destructive behavior while obeying their leaders. Colluders actively support or contribute to their leaders’ destructive missions.

Conformers: Lost souls. Lost souls are needy individuals. They are vulnerable to destructive leaders because they have basic unmet needs (for love and affection, for example), may be experiencing high levels of distress (e.g., flunking out of college, losing a parent), lack a clear sense of self, and have low self-esteem. They comply because they identify with the leader, who offers them a sense of direction, community, and a stronger sense of self and self-esteem.

Conformers: Authoritarians. Authoritarians believe that leaders have a right to demand obedience, and it is their belief in the legitimacy of the leader that triggers their obedience. They reflect an unconditional respect for authority, prefer a simple, well-defined environment, and believe in a just world where people get what they deserve.

Conformers: Bystanders. Bystanders, likely the largest group of susceptible followers, are generally passive and motivated by fear. They let destructive leaders have their way because they think they will be punished if they object. Bystanders generally have negative self-evaluations that convince them that they can’t resist, believe that have to submit to whoever is in power, and often see themselves as victims. Highly sensitive to elements of the situation, they remain passive in order to avoid punishment. These individuals are often introverts who lack a courageous, prosocial orientation.

Colluders: Opportunists. Opportunists carry out the destructive directives of their leaders because they believe that they will be rewarded for doing so. Opportunists are ambitious, greedy, and manipulative, lacking in self-control. Rewards—money, status, power—are the key to motivating them to participate in unethical and illegal behaviors.

Colluders: Acolytes. Acolytes are “true believers.” They actively partner with the leader because they share the leader’s goals and values. They are largely self-motivated. Collaborating with the destructive leader helps them fulfill their personal identities, which have toxic qualities.

Thoroughgood and Padilla apply their model to the child sex abuse scandal at Penn State University. They believe that the university failed (Continued)
by buying phone companies, Internet ventures, cable networks, and Seagram (which owned Universal Studios and Universal Records). His grandiose ambitions outstripped his ability to bring them to fruition. Losses from his collection of mismatched companies mounted, and he was forced out. The result was the greatest financial loss in French corporate history. (Case Study 2.1 describes another leader who demonstrates strong narcissistic tendencies.)

We can expect even more narcissistic leaders in the future if current trends continue. By all indications, narcissism is on the rise. Researchers report, for example, that between 1982 and 2009, narcissism scores among college students increased significantly. (Among business students, finance majors are more narcissistic and less empathetic than accounting and marketing majors.) This “epidemic” of narcissism has been attributed to a range of factors, including permissive parenting, celebrity culture, social media, and materialism.14

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.15 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

Additional Sources


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.\textsuperscript{16}

\textit{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.\textsuperscript{17} 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.\textsuperscript{18} Such leaders can undermine the ethical decision-making processes and climate of entire groups. Box 2.2 outlines the negative behaviors of psychopaths as well as the destructive impact they have on followers and organizations.

\section*{Faulty Decision Making}
Identifying dysfunctional motivations 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.\textsuperscript{19} 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 deepwater disposal set a bad precedent. They worried that the 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.\textsuperscript{20}
Box 2.2 Psychopaths: Behaviors and Outcomes

- Engage in fraud
- Unfairly fire employees
- Claim credit for the work of others
- Use the system to their own advantage
- Increase employee workloads
- Fail to care for the needs of employees
- Exploit employees, creating a disheartened workforce
- Create conflicts between groups, generating chaos
- Bully and humiliate workers
- Lack a sense of corporate social responsibility
- Focus on short-term gain (their wealth and power)
- Disregard the interests of investors
- Increase employee turnover, which drives away skilled, knowledgeable workers
- Damage the environment
- Partner with other psychopaths
- Lower employee job satisfaction
- Increase absenteeism
- Disrupt organizational communication
- Increase the likelihood of corporate failure


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 (see Box 2.3). 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 criticize 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 blame 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.
Box 2.3 Decision-Making Biases

**THEORIES ABOUT THE WORLD**
- Ignoring low-probability events even when they could have serious consequences later
- Limiting the search for stakeholders and thus overlooking the needs of important groups
- Ignoring the possibility that the public will find out about an action
- Discounting the future by putting immediate needs ahead of long-term goals
- Underestimating the impact of a decision on a collective group (e.g., industry, city, profession)
- Acting as if the world is certain instead of unpredictable
- Failing to acknowledge and confront risk
- Framing risk differently than followers
- Blaming people when larger systems are at fault
- Excusing those who fail to act when they should

**THEORIES ABOUT OURSELVES**
- Giving special consideration and aid to members of the in-group
- Judging and evaluating according to group membership (stereotyping)
- Rating ourselves more highly than other people
- Underestimating the likelihood that negative things will happen to us, such as divorce, illness, accidents, and addictions
- Believing that we can control random events
- Overestimating our contributions and the contributions of departments and organizations
- Overconfidence, which prevents us from learning more about a situation
- Concluding that the normal rules and obligations don’t apply to us

**THEORIES ABOUT OTHER PEOPLE**
- Believing that our group is normal and ordinary (good) whereas others are strange and inferior (bad)


---

**Theories about Other People**

These are our organized beliefs about how we differ from they (competitors, suppliers, managers, employees, ethnic groups). Such beliefs, which we may not be aware of, 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. 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 deny legal protections to suspected terrorists. (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). 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 believed that he could get away with billing the
company for unauthorized travel expenses for a female employee who may have been his lover. Former Speaker of the House Dennis Hastert thought he could hide $3.5 million in illegal payments to one of his victims.

**Failure of Moral Imagination**

According to many ethicists, moral imagination—sensitivity to moral issues and options—is key to ethical behavior and works hand in hand with moral reasoning in the decision-making process.23 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.24 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, National Aeronautics and Space Administration (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* seventeen 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. 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.

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 former 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. (Measure your level of moral imagination by completing Self-Assessment 2.1.)

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.” 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.

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 labeling. Euphemistic language has a sanitizing function, making harmful behavior appear more respectable and reducing personal responsibility. Examples include referring to civilians accidently 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. Defenders of Bill Clinton minimized his sexual affairs by noting that he didn’t get the nation into war as did his successor, George W. Bush.

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.28

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 example. 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. Sadly, some victims come to accept the definition put on them by their victimizers.

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. Some followers are more susceptible to moral disengagement than others, including those who are cynical and believe that life is shaped by events outside of their control.

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. 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. When playing video games, morally disengaged gamers engage more frequently in torture and killing innocent civilians. 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.

**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 2.2, for example, you may have a clear opinion about whether or not you would support strict vaccination laws. You may be less clear about the standards you use to reach your conclusion, however. You might use a common ethical guideline (“Public health is more important than individual rights”; “The risks or costs of vaccination programs outweigh the benefits”) 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 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.31

**Contextual Pressures**

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.32 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, car dealerships are known for their deceptive practices, and cell phone retailers have largely earned the same reputation. 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. 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. (Case Study 2.3 describes how the culture of one organization encouraged a massive fraud.)

Obedience is a particularly strong conformity pressure. Even in highly individualistic cultures like the United States, people appear programmed to follow orders. In one of the most vivid examples of this tendency, psychologist Stanley Milgram asked research subject “teachers” to administer electric shocks to “learners” (who were really confederates and were not hurt) who failed to answer questions correctly. More than 60% of the participants in his 1960s studies were fully obedient. They turned up the power to maximum level at the request of an experimenter dressed in a lab coat, even though the cries and protests of the “learners” grew louder with each increase in voltage. Replications of Milgram’s studies forty years later revealed the same pattern, with subjects just as willing to follow the orders of the experimenters.33 (Turn to “Leadership Ethics at the Movies: The Imitation Game” for an example of one leader who resisted conformity pressures.)

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 Wal-Mart, 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.34 Organizations can also deliberately use the socialization process to corrupt new members.

Cultural differences, like group and organizational forces, can also encourage leaders to abandon their personal codes of conduct. (We’ll examine this topic in more depth in

Leadership Ethics at the Movies

THE IMITATION GAME

*Key Cast Members*: Benedict Cumberbatch, Keira Knightley, Matthew Good, Charles Dane

*Synopsis*: Benedict Cumberbatch plays brilliant British mathematician Alan Turing who joins a secret team assigned to break the Nazi Enigma code during World War II. Through a combination of arrogance and social insensitivity, Turing (who appears to suffer from mild form of autism) soon alienates his supervisor and coworkers. His boss and colleagues want to shut down his efforts to build a code-breaking machine. However, with the help of female mathematician Joan Clarke (played by Keira Knightley), Turing is able to overcome bureaucratic resistance and rally his fellow code breakers. They succeed in breaking the German code using the world’s first computer. However, breaking the code is just the first step. British intelligence can’t reveal that it has broken the code or the Germans will switch to a new system. Turing’s team then develops a statistical program to tell British intelligence how often it can act on decoded information. Their efforts are credited with shortening the war by two years and saving fourteen million lives. Following the war, Turing is prosecuted for being a homosexual and commits suicide. British secrecy laws keep Turing from receiving the credit he deserves until decades after his death.

*Rating*: PG-13 for mature themes and language

*Themes*: conformity, obedience, creativity, courage, group problem solving, challenge of misinformation, follower challenges of obedience and dissent, utilitarianism

*Discussion Starters*

1. How does Turing’s lack of social intelligence both help and hinder his efforts as a code breaker?
2. Why do Turing’s colleagues rally to his defense?
3. Was British intelligence justified in acting on only some of the decoded information?
4. Was it necessary to keep the Enigma project secret after World War II ended? Why or why not?
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.

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 forth. Unethical followers can also encourage unethical behavior in their leaders.

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. 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, and 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. 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 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 argues that we need to develop three broad types of ethical competencies. 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. 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.

University of Notre Dame psychologists Darcia Narvaez and Daniel Lapsley offer the novice–expert continuum as one way to track our ethical progress. 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 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.” 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 2.4). 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 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 2.4 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.

<table>
<thead>
<tr>
<th><strong>ETHICAL SENSITIVITY</strong> <em>(RECOGNITION OF ETHICAL PROBLEMS)</em></th>
<th>Understanding consequences</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reflecting on process and outcome</td>
</tr>
<tr>
<td></td>
<td>Coping and resilience</td>
</tr>
<tr>
<td><strong>ETHICAL FOCUS</strong> <em>(MOTIVATION TO ACT ETHICALLY)</em></td>
<td></td>
</tr>
<tr>
<td>Respecting others</td>
<td></td>
</tr>
<tr>
<td>Cultivating conscience</td>
<td></td>
</tr>
<tr>
<td>Acting responsibly</td>
<td></td>
</tr>
<tr>
<td>Helping others</td>
<td></td>
</tr>
<tr>
<td>Finding meaning in life</td>
<td></td>
</tr>
<tr>
<td>Valuing traditions and institutions</td>
<td></td>
</tr>
<tr>
<td>Developing ethical identity and integrity</td>
<td></td>
</tr>
<tr>
<td><strong>ETHICAL ACTION</strong> <em>(FOLLOWING THROUGH ON MORAL DECISIONS)</em></td>
<td></td>
</tr>
<tr>
<td>Resolving conflicts and problems</td>
<td></td>
</tr>
<tr>
<td>Asserting respectfully</td>
<td></td>
</tr>
<tr>
<td>Taking initiative as a leader</td>
<td></td>
</tr>
<tr>
<td>Implementing decisions</td>
<td></td>
</tr>
<tr>
<td>Cultivating courage</td>
<td></td>
</tr>
<tr>
<td>Persevering</td>
<td></td>
</tr>
<tr>
<td>Working hard</td>
<td></td>
</tr>
</tbody>
</table>

It is important to note that making and implementing ethical decisions takes communication as well as critical thinking skills, as the list in Box 2.4 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—are 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 yourself. 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 your 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.
- Contextual or situational pressures encourage leaders and followers to set aside their personal standards to engage in unethical behavior. Conformity will encourage you to put cohesion above ethical choices. Obedience may override your personal moral code.
- 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.
- 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 we in the midst of a narcissism epidemic? Are narcissistic leaders a growing danger? Write up your conclusions.
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. What do your results reveal about your tendency to excuse your unethical behavior? What steps can you take to avoid this form of faulty reasoning?
5. 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?
6. 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.
7. How much responsibility do followers have for supporting destructive 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 study.sagepub.com/johnsonmecl6e to access full SAGE journal articles for further research and information on key chapter topics.

Case Study 2.1

THE BAD BOY OF THE PHARMACEUTICAL INDUSTRY

Turing Pharmaceutical founder Martin Shkreli is not likely to win a popularity contest anytime soon. Shkreli set off a firestorm of outrage when his company acquired the rights to a 62-year-old drug, Daraprim, and then raised the price of the medication from $13.50 a pill to $750, an

(Continued)
increase of over 5,000%. HIV patients and women infected during pregnancy (many of them minorities and low income) use the drug to combat a parasite.

Turing Pharmaceutical and Shkreli were blasted in social media for price gouging, and protestors picketed the company’s headquarters in Manhattan. Some carried signs with a picture of the CEO and the caption “The Face of Greed.” Health officials from the Infectious Diseases Society of America and the HIV Medicine Association sent a joint letter to Turing declaring the price increase “unjustifiable for the medically vulnerable patient population.” The United States Senate Special Committee on Aging launched an investigation and presidential candidates from both parties condemned the price hike.

Turing Pharmaceutical isn’t the only company to acquire older drugs and then jack up their prices. Rodelis Therapeutics increased the cost of a bottle of a tuberculosis drug from $500 to $10,800. Mylan raised the price of the EpiPen—used for severe allergic reactions—27% a year between 2011 and 2015. Valeant Pharmaceuticals boosted the cost of two heart drugs by hundreds of percent. These price hikes can dramatically increase company profits. Jazz Pharmaceuticals saw revenue from the sleep disorder drug Xyrem increase from $29 million in 2006, when it acquired the medication, to $777.6 million by 2015, based on average price hikes of 29% a year and increased use of the drug.

While Turing Pharmaceutical’s business strategy isn’t unique, thirty-two-year-old Shkreli quickly became the “bad boy” of the pharmaceutical industry. When criticized, he offered what observers called his “tone-deaf response,” which “threw more gasoline on his public relations bonfire.” He condemned the Senate investigation, declaring that senators were “trying to make a tempest out of a teacup, and a mountain out of a molehill.” He promised a “modest decrease” in the price of Daraprim but didn’t specify how much (and later backed off this promise). While he claimed that the company would use the profits from the price hike to develop a better treatment for patients, health care experts disagreed. They wondered why it was necessary to replace an effective, inexpensive drug.

Shkreli’s behavior on social media did little to burnish his image. Before he made his account private, the CEO’s Twitter feed featured trips to Vegas, the World Wrestling Federation, and fantasies of dating super stars. One tweet read, “Taylor Swift, Katy Perry or [Theranos CEO] Elizabeth Holmes. Who would you date if you were me?” Once he came under attack, he proclaimed that he would troll journalists who “smell liberal” and claimed that he had been swamped with support. He used another Twitter message to yell out his frustration at the picture of him being used in the media: “WILL EVERYONE PLEASE STOP USING THAT UGLY PIC OF ME. I HATE BLOOMBERG FOR TAKING IT—THERE ARE SO MANY BETTER ONES.” Shkreli was particularly irate with former presidential candidate Bernie Sanders, who refused a donation from Turing Pharmaceutical. To take revenge, he posted a picture of Sanders riding a unicorn.

Shkreli has a troubled history. Before becoming the “bad boy of pharmaceuticals,” Shkreli ran hedge funds and Retrophin, another drug firm. He made millions for himself and his investors but left a trail of lawsuits and accusations in his wake. He had to pay part of a $2.3 million settlement to Lehman Brothers and was sued by two former employees who claimed they didn’t get paid.
A former hedge fund executive accused Shkreli of taking over his personal e-mail and Facebook accounts and using social media to harass his family. The board of Retrophin sued its former CEO for using company funds to pay investors in his hedge fund, and the federal government charged him for securities and wire fraud for trying to hide his losses. Shkreli offers his own take on his legal problems. For example, he accuses the former executive of stealing $3 million in profits that should have gone to his hedge fund. He describes the Retrophin lawsuit as “a sad attempt to avoid paying a very large severance amount” and brags, “After being kicked out of my own company, I’ve built a bigger and better one.” His attorney declared that Shkreli was confident he would be cleared of the criminal charges.

Commenting on Shkreli’s troubled track record, one of his earliest investors noted that he seems to operate without a moral compass. (This may be due in part to his rapid rise to riches.) According to the investor, “There’s nobody there in Martin’s life to tell him what the right thing is.”

Discussion Probes

1. What shadow casters do you see in Martin Shkreli?
2. Do you think rapid success increases the chances that leaders will victim to shadow casters?
3. How should Shkreli respond to his critics? How should he use social media?
4. Is Turing Pharmaceutical, as well as other companies that follow the same business model, engaged in price gouging or are these firms serving the interests of their investors?
5. Would you invest in Turing Pharmaceutical or other, similar drug companies?
6. Should the federal government regulate drug prices? Why or why not?

Notes


(Continued)
Case Study 2.2
THE BATTLE OVER VACCINATIONS

Measles was once the scourge of American school children, infecting 3–4 million kids and adults every year. Best known for causing an itchy head-to-toe red rash, the virus can also produce high fever, seizures, and even death. Development of a measles vaccine dramatically lowered the number of cases. In fact, the immunization effort was so successful that in the year 2000, health authorities declared that measles had been eliminated from the United States.

Unfortunately, the virus launched a comeback. In 2014, the Centers for Disease Control and Prevention reported 644 cases from 27 states. The biggest outbreak started at Disneyland, infecting park workers and visitors who spread the illness to friends, families, and neighbors when they traveled back home. Medical officials blame the resurgence of measles on the anti-immunization movement. According to one pediatric disease specialist, the Disneyland outbreak was "100 percent connected" to the opposition to vaccines. "It wouldn't have happened otherwise—it wouldn't have gone anywhere." Anti-vaxxers believe that risks of immunization outweigh the benefits, so they request exemptions to child vaccination laws. In particular, parents worry that their sons and daughters will contract autism; a fear flamed by a now-discredited British study linking immunization injections to the syndrome. Said one worried mother about the M.M.R. vaccine (measles, mumps, and rubella): "It’s the worst shot. Do you want to wake up one morning and the light is gone from her eyes with autism..."
Anti-vaxxers don’t trust medical authorities and suspect that pharmaceutical companies are out to boost their profits by promoting immunization programs. They believe that all parents should have the right to choose whether or not their children receive vaccinations.

In order to prevent outbreaks (to provide “herd immunity”), vaccination rates need to be at 95% and above. A few school districts fall below this percentage because vaccine exemptions tend to cluster in certain areas. In California, for instance, the percentage of unvaccinated kids can run as high as 30%-40% in some wealthy, highly educated school districts outside Los Angeles and San Francisco. Many parents in these districts take an all-natural approach to parenting, which includes serving their children organic foods and keeping them from getting shots.

Disease experts note that the immune systems of infants and young children easily handle the antibodies in the vaccines. They point out that parents who fail to immunize their children are exposing them to needless suffering from a preventable disease. Unvaccinated children also put others in the community at risk. In response, some parents have banned the children of anti-vaxxers from birthday parties and neighborhood get-togethers.

The California legislature responded to the Disney outbreak by passing one of the strongest mandatory vaccination laws in the country, joining West Virginia and Mississippi in banning all exemptions, including those for religious and personal beliefs. Only children whose health would be threatened, such as young patients receiving chemotherapy for cancer, would be allowed to skip the shots. However, legislative proposals to strengthen mandatory vaccination laws in Oregon and Washington were defeated.

Discussion Probe
1. If you were a state legislator, would you support a bill to strengthen mandatory immunization requirements by eliminating personal belief exemptions? Why or why not?

Notes

Sources
Perkins, L. (2015, June 30). California governor signs school vaccination law. NPR.
Case Study 2.3

VW’S MASSIVE DECEPTION

Between 2008 and 2015, German automaker Volkswagen (VW) installed software in 11 million diesel cars in Europe, South Korea, Canada, and the United States designed to defeat emissions tests. The computer program recognized the difference between the emission test and road conditions and temporarily activated emissions controls. When not being measured, the same vehicles generated up to 40 times the amount of the harmful pollutant nitrogen oxide, which has been linked to lung cancer. The “defeat device” enabled VW cars to pass U.S. emissions tests without the usual loss in fuel economy and engine performance.

A group of professors and students at West Virginia University discovered significant differences between the car’s emission results in test and real-life driving conditions in 2013. Officials at Volkswagen initially claimed that the West Virginia findings were inaccurate but later acknowledged the use of the defeat device to environmental regulators in the United States.

VW customers, the public, and government officials wondered how such a massive fraud could continue for so long without being detected. They were skeptical that top executives, who generally have engineering backgrounds, could have been ignorant about a technical device installed on so many of the company’s cars and trucks. The scope of the deception suggests that a number of people knew of the defeat device. Said one auto industry observer, “It seems unlikely that just a few key individuals knew about this.”1 Company officials hired an outside law firm to conduct an internal investigation to identify the perpetrators. VW employees (who reportedly were reluctant to come forward) were offered amnesty from punishment if they shared what they knew about the defeat software. Ten senior executives associated with engine and product development were immediately suspended and the number of suspensions may grow as high as 100. Suspicion centered on managers who authorized the installation, engineers who installed the device, and those who knew about the programming but did not share that information with their leaders.

VW’s culture made it hard for employees to speak up about the defeat device. Decision making is centralized at company headquarters; frank discussion of problems is discouraged; workers and managers are afraid to speak up. According to the director of a German automotive research group, speaking up is “not the usual thing at Volkswagen if you want to make a career.”2 VW culture has been described as arrogant, insular, isolated, and resistant to change. Engineers are openly disdainful of environmental regulations. Communication within the company is poor, so poor that three Volkswagen board members learned of the defeat device from media reports, not from the company CEO.

Losses from lawsuits, government fines, vehicle recalls, and damaged reputation continue to mount. The company initially set aside $7.3 billion to cover damages but quickly
realized that the amount was not enough. (VW could face $18 billion in fines from the U.S. Environmental Protection Agency alone.) Volkswagen may need to cut jobs, and some speculate it might need a German government bailout. To prevent future scandals, VW’s leaders promise to decentralize decision making and the firm’s new CEO, Matthias Müller, vows to practice a more open management style. However, it remains to be seen if these changes will be enough to prompt managers and workers to speak up when they uncover unethical and illegal behavior.

**Discussion Probes**

1. Can you think of other examples of where employees knew of corporate misbehavior and kept silent? Why did they fail to speak up?

2. What should be the punishment, if any, for those who knew of the emissions software but didn’t report this information?

3. Is offering amnesty an effective strategy for uncovering fraud?

4. What contextual pressures kept employees from speaking up about the emissions program?

5. What additional steps should VW take to change its corporate culture? To encourage employees to share bad news?

6. How much blame for the deception should be placed on top-level VW executives? On the board of directors?

**Notes**


**Sources**


# Self-Assessment 2.1

## Moral Imagination Scale

The following survey is designed to provide you with feedback on all three components of moral imagination: reproductive, productive, and creative. Respond to each of the following items on a scale of 1 (strongly disagree) to 7 (strongly agree).

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Strongly Disagree</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Strongly Agree</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. I like to imagine how the consequences of my behavior affect others.
2. I anticipate any moral problems that threaten our organization.
3. I am not able to imagine similarities and differences between the situation at hand and other situations where I could apply the same rule.*
4. I have the ability to recognize which ideas are morally worth pursuing and which are not.
5. When I find myself uncertain about how to act in a morally ambiguous situation, I change my understanding of the moral concepts that might be involved.
6. I resist any regulations detrimental to the environment, even if I have to risk my current position in the organization.
7. I have systematically investigated the factors that may affect the moral decisions of my organization.
8. I am careful about condemning past decisions made under entirely different circumstances.
9. I accept new regulations of the organization without any justification.*
10. In general, when there is a discussion about moral issues, everyone tends to listen to me.
11. My moral imagination heightens my ability to perceive morally relevant situations.
12. I have the ability to revise my existing moral beliefs so as to adapt to changing conditions.
13. My imagination enables me to look at myself from the point of view of another person.
14. It would be a waste of time for me to ask the opinion of those who disagree with me when I make a decision.*
15. It is difficult for me to bridge the gap between sensory data and intelligent thought.*
16. I can put myself in the place of others.  
17. I do not have enough ability to compare and contrast my own culture with that of others.*  
18. I can create alternative solutions to new moral situations.  
19. I discipline all my capacities and inclinations in order to achieve self-control.  
20. I do not have moral responsibility for what I imagine in terms of affecting others.*  
21. Once I have generated reasons supporting my belief, I find it difficult to generate contradictory reasons.*  
22. I have trouble understanding others’ culture and values.*  

Scoring: Reverse scoring on items marked with *. Add scores. Possible score range from 24–168.  


---

**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).

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Strongly Agree</td>
</tr>
</tbody>
</table>

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.  

NOTES


Looking Inward

CHAPTER 3. The Leader’s Character
CHAPTER 4. Combating Evil