

1

The Leader's Light or Shadow

We know where light is coming from by looking at the shadows.

—Humanities scholar Paul Woodruff

WHAT'S AHEAD

This chapter introduces the dark (bad, toxic) side of leadership as the first step in promoting good or ethical leadership. The metaphor of light and shadow dramatizes the differences between moral and immoral leaders. Leaders have the power to illuminate the lives of followers or to cover them in darkness. They cast light when they master ethical challenges of leadership. They cast shadows when they (1) abuse power, (2) hoard privileges, (3) mismanage information, (4) act inconsistently, (5) misplace or betray loyalties, and (6) fail to assume responsibilities.

A Dramatic Difference

In an influential essay titled “Leading From Within,” educational writer and consultant Parker Palmer introduces a powerful metaphor to dramatize the distinction between ethical and unethical leadership. According to Palmer, the difference between moral and immoral leaders is as sharp as the contrast between light and darkness, between heaven and hell.

4 PART I. The Shadow Side of Leadership

A leader is a person who has an unusual degree of power to create the conditions under which other people must live and move and have their being, conditions that can be either as illuminating as heaven or as shadowy as hell. A leader must take special responsibility for what's going on inside his or her own self, inside his or her consciousness, lest the act of leadership create more harm than good.¹

For most of us, leadership has a positive connotation. We have been fortunate enough to benefit from the guidance of teachers or coaches, for example, or we admire noteworthy historical leaders. However, Palmer urges us to pay more attention to the shadow side of leadership. Political figures, parents, clergy, and business executives have the potential to cast as much shadow as they do light. Refusing to face the dark side of leadership makes abuse more likely. All too often, leaders “do not even know they are making a choice, let alone how to reflect on the process of choosing.”²

Recently other scholars have joined Palmer in urging us to pay more attention to the dark or negative dimension of leadership. Claremont Graduate University professor Jean Lipman-Blumen uses the term *toxic leaders* to describe those who engage in destructive behaviors and who exhibit dysfunctional personal characteristics.³ These behaviors and qualities (summarized in Table 1.1 on page 6) cause significant harm to followers and organizations. A group of Norwegian researchers points out that destructive organizational leadership undermines the group's success and/or the well-being of followers. Destructive leaders can be antiorganization, antisubordinates, or both. *Tyrannical leaders* reach organizational goals while abusing followers. *Supportive-disloyal leaders* care for the welfare of subordinates at the expense of organizational goals. They may tolerate loafing or stealing, for example. *Derailed leaders* act against the interests of subordinates and the organization. At the same time they bully, manipulate, deceive, and harass followers, they may be stealing from the organization, engaging in fraudulent activities, and doing less than expected. *Constructive leaders*, on the other hand, care about subordinates and help the organization achieve its goals while using resources wisely.⁴

Harvard professor Barbara Kellerman believes that limiting leadership solely to good leadership ignores the reality that a great many leaders engage in destructive behaviors.⁵ Overlooking that fact, Kellerman says, undermines our attempts to promote good leadership: “I take it as a given that we promote good leadership not by ignoring bad leadership, nor by presuming that it is immutable, but rather by attacking it as we would a disease that is always pernicious and sometimes deadly.”⁶

According to professor Kellerman, bad leaders can be ineffective, unethical, or ineffective and unethical. She identifies seven types of bad leaders:

Incompetent. These leaders don't have the motivation or ability to sustain effective action. They may lack emotional or academic intelligence, for example, or be careless, distracted, or sloppy. Some can't function under stress, and their communication and decisions suffer as a result. Former International Olympic Committee President Juan Antonio Samaranch (1961–2000) is one example of an incompetent leader. Toward the end of his tenure he turned a blind eye to commercialism, drug scandals, and corruption in the Olympic movement.

Rigid. Rigid leaders may be competent, but they are unyielding, unable to accept new ideas, new information, or changing conditions. Thabo Mbeki is one such leader. After becoming president of South Africa in 1999, he insisted that HIV did not cause AIDS and withheld antiretroviral drugs from HIV-positive women. These medications would have dramatically cut the transmission of the disease to their babies.

Intemperate. Intemperate leaders lack self-control and are enabled by followers who don't want to intervene or can't. Marion Barry, Jr.'s political career demonstrates intemperate leadership in action. Barry served as mayor of Washington, DC, from 1979 to 1991. He ignored widespread corruption in his administration, perhaps in part because he was busy cheating on his wife and doing drugs. Barry was convicted of possessing crack cocaine and served 6 months in jail. After being released from prison, he was elected to the city council in 1992 and was reelected as mayor in 1994. During his administrations, the district's schools and public services deteriorated while the murder rate soared.

Callous. The callous leader is uncaring or unkind, ignoring or downplaying the needs, wants, and wishes of followers. Former hotel magnate Leona Helmsley personifies the callous leader. She earned the title "The Queen of Mean" by screaming at employees and firing them for minor infractions such as having dirty fingernails. Helmsley later served time for tax evasion. (She once quipped, "Only the little people pay taxes.")

Corrupt. These leaders and at least some of their followers lie, cheat, and steal. They put self-interest ahead of public interest. Former United Way of

Table 1.1 The Behaviors and Personal Characteristics of Toxic Leaders

<i>Destructive Behaviors</i>	<i>Toxic Qualities</i>
Leaving followers worse off	Lack of integrity
Violating human rights	Insatiable ambition
Feeding followers' illusions; creating dependence	Enormous egos
Playing to the basest fears and needs of followers	Arrogance
Stifling criticism; enforcing compliance	Amorality (unable to discern right from wrong)
Misleading followers	Avarice (greed)
Subverting ethical organizational structures and processes	Reckless disregard for the costs of their actions
Engaging in unethical, illegal, and criminal acts	Cowardice (won't make tough choices)
Building totalitarian regimes	Failure to understand problems
Failing to nurture followers, including successors	Incompetent in key leadership situations
Setting constituents against one another	
Encouraging followers to hate or destroy others	
Identifying scapegoats	
Making themselves indispensable	
Ignoring or promoting incompetence, cronyism, and corruption	

SOURCE: Adapted from Lipman-Blumen, J. (2005). *The allure of toxic leaders: Why we follow destructive bosses and corrupt politicians—and how we can survive them*. Oxford, UK: Oxford University Press, pp. 19–23.

America chief William Aramony is an exemplar of this type of leader. Aramony used United Way funds to buy and furnish an apartment for his girlfriend and to pay for vacations. His top financial officers helped him hide his illegal actions. Aramony and his colleagues were convicted on fraud-related charges.

Insular. The insular leader draws a clear boundary between the welfare of his or her immediate group or organization and outsiders. Former President Bill Clinton behaved in an insular manner when he didn't intervene in the Rwandan genocide that took the lives of 800,000–1 million people in 1994. He later traveled to Africa to apologize for failing to act even though he had reliable information describing how thousands of Tutsis were being hacked to death by their Hutu neighbors.

Evil. Evil leaders commit atrocities, using their power to inflict severe physical or psychological harm. Foday Sankoh is one example of an evil leader. He started a civil war in Sierra Leone in 1991. His army, which included many boy soldiers, carried out a campaign of rape and murder. The rebels were also known for chopping off the legs, hands, and arms of innocent civilians.

The Leader's Shadows

When we function as leaders, we take on a unique set of ethical burdens in addition to a set of expectations and tasks. These dilemmas involve issues of power, privilege, information, consistency, loyalty, and responsibility. How we handle the challenges of leadership determines whether we cause more harm than good or, to return to Palmer's metaphor, whether we cast light or shadow. Unless we're careful, we're likely to cast one or more of the shadows described in this section.

The Shadow of Power

Power is the foundation for influence attempts. The more power we have, the more likely others are to comply with our wishes. Power comes from a variety of sources. The most popular power classification system identifies five power bases.⁷ *Coercive power* is based on penalties or punishments such as physical force, salary reductions, student suspensions, or embargoes

against national enemies. *Reward power* depends on being able to deliver something of value to others, whether tangible (bonuses, health insurance, grades) or intangible (praise, trust, cooperation). *Legitimate power* resides in the position, not the person. Supervisors, judges, police officers, instructors, and parents have the right to control our behavior within certain limits. A boss can require us to carry out certain tasks at work, for example, but in most cases he or she has no say in what we do in our free time. In contrast to legitimate power, *expert power* is based on the characteristics of the individual regardless of her or his official position. Knowledge, skills, education, and certification all build expert power. *Referent (role model) power* rests on the admiration one person has for another. We're more likely to do favors for a supervisor we admire or to buy a product promoted by our favorite sports hero.

Leaders typically draw on more than one power source. The manager who is appointed to lead a task force is granted legitimate power that enables her to reward or punish. Yet in order to be successful, she'll have to demonstrate her knowledge of the topic, skillfully direct the group process, and earn the respect of task force members through hard work and commitment to the group. ("Leadership Ethics at the Movies: *Doubt*" describes one leader who skillfully uses her power to achieve a worthy objective.)

There are advantages and disadvantages of using each power type. For instance, rewards are widely accepted in Western culture but can be counterproductive if they promote the wrong behaviors (see Chapter 9) or go to the wrong people. Researchers report that U.S. workers are more satisfied and productive when their leaders rely on forms of power that are tied to the person (expert and referent) rather than on forms of power that are linked to the position (coercive, reward, and legitimate).⁸ In addition, positional power is more susceptible to abuse. Coercive tactics have the potential to do the most damage, threatening the dignity as well as the physical and mental health of followers. Leaders, then, have important decisions to make about the types of power they use and when.

The fact that leadership cannot exist without power makes some Americans uncomfortable. Harvard business professor Rosabeth Kanter goes so far as to declare that power is "America's last dirty word."⁹ She believes that for many of us talking about money and sex is easier than discussing power. We admire powerful leaders who act decisively but can be reluctant to admit that we have and use power.

Our refusal to face up to the reality of power can make us more vulnerable to the shadow side of leadership. Cult leader Jim Jones presided over the suicide–murder of 909 followers in the jungles of Guyana. Perhaps this tragedy could have been avoided if cult members and outside observers had

challenged Jones's abuse of power.¹⁰ Conversely, ignoring the topic of power prevents the attainment of worthy objectives, leaving followers in darkness. Consider the case of the community activist who wants to build a new shelter for homeless families. He can't help these families unless he skillfully wields power to enlist the support of local groups, overcome resistance of opponents, raise funds, and secure building permits.

I suspect that we treat power as a dirty word because we recognize that power has a corrosive effect on those who possess it. We've seen how Richard Nixon used the power of his office to order illegal acts against his enemies and how George W. Bush authorized warrantless wiretaps to listen in on the conversations of U.S. citizens.¹¹ Many corporate leaders have been intoxicated by their power, using their positions to abuse their subordinates. One such boss kept an employee in an all-day meeting even as her mother was dying. Another called the paramedics when an employee had a heart attack and then ordered everyone else to go back to work even as the victim was still lying on the floor. Yet another berated and humiliated a subordinate who suffered an emotional breakdown and had to be hospitalized. His response? "I can't help it if she is overly sensitive."¹²



LEADERSHIP ETHICS AT THE MOVIES

DOUBT

Key Cast Members: Meryl Streep, Philip Seymour Hoffman, Amy Adams

Synopsis: Sister Aloysius Beauvier (Streep) is the no-nonsense principal of Saint Nicholas Catholic School in the early 1960s. Being sent to her office for talking in class, chewing gum, or any number of other minor offenses is a terrifying experience. She clashes with charismatic priest Father Flynn (Hoffman) who wants the school and parish church to be more welcoming and friendly. Their conflict escalates when Sister James (Adams), the school's youngest teacher, reports that Flynn is paying special attention to a troubled young boy. The priest denies making sexual advances to the student, but Sister Beauvier and Sister James have their doubts. The principal has less power than Flynn and other males in the Catholic hierarchy, but is determined to get the priest to confess his sin and resign.

(Continued)

(Continued)

Rating: PG-13 for adult themes

Themes: types of power, use and abuse of power, abuse of privilege, betrayal, deception, inconsistency, responsibility and irresponsibility, compassion, courage

Discussion Starters

1. What types of power does Father Flynn use to protect himself and his position? How does Sister Beauvier wield power?
2. What leadership shadows are cast by Father Flynn? By Sister Beauvier?
3. How should followers respond when they have doubts about the behaviors of their leaders?

Unfortunately, abuse of power is an all too common fact of life in modern organizations. In one survey, 90% of those responding reported that they had experienced disrespect from a boss some time during their working careers. Twenty percent of the sample said they currently work for an abusive leader. (Complete “Self-Assessment: The Brutal Boss Questionnaire” to determine whether your supervisor is abusive or just tough.) “Brutal” bosses regularly engage in the following behaviors, some of which will be discussed in more detail later in the chapter.¹³

- *Deceit.* Lying and giving false or misleading information.
- *Constraint.* Restricting followers’ activities outside work, such as telling them whom they can befriend, where they can live, with whom they can live, and the civic activities they can participate in.
- *Coercion.* Inappropriate or excessive threats for not complying with the leader’s directives.
- *Selfishness.* Blaming subordinates and making them scapegoats.
- *Inequity.* Supplying unequal benefits or punishments based on favoritism or criteria unrelated to the job.
- *Cruelty.* Harming subordinates in such illegitimate ways as name-calling or public humiliation.
- *Disregard.* Ignoring normal standards of politeness; obvious disregard for what is happening in the lives of followers.
- *Deification.* Creating a master–servant relationship in which bosses can do whatever they want because they feel superior.

The cost of the petty tyranny of bad bosses is high. Victims suffer low self-esteem and psychological distress, are less satisfied with their jobs and lives, are less productive, and are more likely to quit. The work unit as a whole is less trusting and cohesive, reducing collective performance.¹⁴ The majority of employees in one study reported spending 10 or more hours every month complaining about abusive and other kinds of bad bosses or listening to the complaints of fellow workers.¹⁵ In addition to complaining, workers respond to tyranny by surrendering their personal beliefs, keeping a low profile, engaging in revenge fantasies, taking indirect revenge (i.e., not supporting the boss at a critical moment), challenging the supervisor directly, or bringing in outsiders like the human resources department or the boss's boss to get help in dealing with the abusive leader.¹⁶

The greater a leader's power, the greater the potential for abuse. This prompted Britain's Lord Acton to observe that "power corrupts, and absolute power corrupts absolutely." The long shadow cast by absolute power, as in the case of North Korea's Kim Jong Il and the military junta in Burma, can be seen in censorship, repression, torture, imprisonment, murder, and starvation. Psychologists offer several explanations for why concentrated power is so dangerous.¹⁷ First, power makes it easier for impulsive, selfish people to pursue their goals without considering the needs of others. They are likely to justify their actions by claiming that their personal rights and interests take priority over obligations to others. Second, those in power protect their positions by attacking those they perceive as threats. Third, powerful leaders are prone to biased judgments.¹⁸ They generally make little attempt to find out how followers think and feel. As a result, they are more likely to hold and act on faulty stereotypes that justify their authority. Powerful people believe that they deserve their high status because powerless people aren't as capable as they are. Fourth, possessing power makes individuals more resistant to feedback from others.

Power deprivation exerts its own brand of corruptive influence.¹⁹ Followers with little power become fixated on what minimal influence they have, becoming cautious, defensive, and critical of others and new ideas. In extreme cases, they may engage in sabotage, such as when one group of fast-food employees took out their frustrations by spitting and urinating into the drinks they served customers.

18. My boss displays anger publicly toward me by shouting, cursing, or slamming objects. _____
19. My boss criticizes me on a personal level rather than criticizing my work. _____
20. My boss demands that I give my best effort all the time. _____
21. My boss is tougher on some subordinates because she or he dislikes them regardless of their work. _____
22. My boss is discourteous toward me. _____
23. My boss is dishonest with me. _____
24. My boss shows no regard for my opinions. _____
25. My boss is deliberately rude to me. _____
26. My boss lies to me. _____
27. My boss misleads me for her or his own benefit. _____
28. My boss insists that I work hard. _____
29. My boss places blame for her or his failures on me. _____
30. My boss openly degrades and personally attacks me. _____
31. My boss mistreats me because of my lifestyle. _____
32. My boss demands that I constantly do high-quality work. _____
33. My boss reprimands me in front of others. _____
34. My boss deliberately makes me feel inferior. _____
35. My boss is not honest with the people who rank beneath her or him. _____
36. My boss threatens me in order to get what she or he wants. _____

Scoring

Total your responses to the following questions:

#5: _____

#10: _____

#14: _____

#20: _____

#28: _____

#32: _____

TOUGH BOSS TOTAL: _____

Now total your response to the remaining 30 questions.

BAD BOSS TOTAL: _____

Continued: Self-Assessment Key

<i>Tough boss total</i>	+	<i>Bad boss total</i>	=	<i>Assessment of boss</i>
Less than 36		Less than 90		Not particularly tough
Between 36 and 48		Less than 90		Tough, but not abusive
Between 36 and 48		Between 90 and 195		Tough, with instances of abuse. Adverse effects on work and well-being may very well occur.
Any		Greater than 195		Abusive. Deteriorating mental and physical health and lowered productivity are associated with this level of mistreatment.

SOURCE: “The Brutal Boss Questionnaire” from *Brutal Bosses and Their Prey* by Harvey A. Hornstein, copyright © 1996 by Harvey A. Hornstein. Used by permission of Riverhead Books, an imprint of Penguin Group (USA) inc.

To wield power wisely, leaders have to wrestle with all the issues outlined here. They have to consider what types of power they should use and when and for what purposes. They also have to determine how much power to keep and how much to give away. Finally, leaders must recognize and resist the dangers posed by possessing too much power while making sure that followers aren’t corrupted by having too little. Fortunately, there is evidence, when it comes to power, that a number of leaders are casting light rather than shadow. They recognize that sharing power prevents power abuses and improves organizational performance. Top officials at Johnsonville Sausage, Harley-Davidson, McCormick & Company, and other successful organizations have relinquished much of their legitimate, coercive, award, and expert power bases to lower-level leaders. At a great many other companies, self-directed work teams have taken over functions (hiring, scheduling, quality control) that used to be the province of mid- and lower-level managers.²⁰

The Shadow of Privilege

Leaders almost always enjoy greater privileges than followers do. The greater the leader’s power, generally the greater the rewards he or she receives. Consider the perks enjoyed by corporate CEOs, for example. Top business leaders in the United States are the highest paid in the world. Over the past 30 years, the average pay for chief executives of large U.S. firms

skyrocketed to \$10.5 million (including salary, bonuses, stock, and stock option grants). The paycheck of the average American was left in the dust. The typical U.S. worker now makes less, when adjusted for inflation, than he or she did in the 1970s.²¹ CEOs also eat in private dining rooms and travel around in chauffeured limousines and corporate jets.

Abuse of privilege is particularly evident in the financial industry.²² U.S. banking executives continued to receive generous pay packages even during the worst financial crisis since the Great Depression. Nine banks paid out an estimated \$32 billion in bonuses at the same time they were being bailed out with \$175 billion from the federal government. Five thousand employees received bonuses of \$1 million or more. Merrill Lynch paid out \$3.6 billion just before declaring \$15 billion in losses and merging with Bank of America. Goldman Sachs awarded nearly \$1 billion to 200 of its workers. (Turn to Case Study 1.1 for a closer look at how one recipient of federal bailout money became the target of public scorn for its bonus program.) Executives weren't shy about spending on themselves either. Citigroup planned to purchase a \$50 million jet until word got out and it cancelled its order. Former Merrill Lynch CEO John Thain spent \$1.2 million to redecorate executive offices in Manhattan, including \$87,000 for an area rug, \$1,400 for a trash receptacle, and \$11,000 for a "Roman shade."²³

CASE STUDY 1.1

PAYING FOR FAILURE AT AIG

American International Group (AIG) was the largest recipient of federal bailout money designed to prop up the U.S. financial system in 2008–2009. The company received \$182 billion from the Troubled Asset Relief Program (TARP) after it got in trouble by insuring financial derivatives that were tied to the real estate market. When the subprime mortgage market crashed, the company—which did not set aside enough reserves to cover potential losses—was unable to meet its obligations. Federal regulators then determined that AIG (America's largest health and life insurer, the second largest property and casualty insurer, and a major player in the airplane leasing business) was "too big to fail." They worried that bankruptcy would destabilize the insurance industry, shrink the credit market, undermine the world economy, and dramatically reduce purchases of planes and parts from companies like Boeing and General Electric.

(Continued)

(Continued)

The decision to bail out AIG came under heavy criticism. Some analysts doubted that the firm's failure would have been devastating to the world economy. Others noted that at least \$20 billion of taxpayer money distributed to AIG was passed on to European banks. However, these complaints paled in comparison to the furor generated by the firm's decision to pay retention bonuses that, for the most part, went to executives in the Financial Products division who were responsible for most of the losses. These bonuses were designed to keep high-ranking employees on the job as the firm reduced its toxic asset portfolio. Seventy-three employees received at least \$1 million; the highest payout was \$6.4 million. Thirty-three employees receiving the bonuses had already left the company by the time the money was paid out.

Americans took issue with the AIG bonus program, which appeared to reward the very same overpaid executives who bankrupted the company in the first place. Revelations that company officials continued to hold conferences and retreats at expensive resorts after the bailout further aggravated taxpayers who were now footing the bill. Of those polled, 86% were angered by the bonuses, and 76% supported trying to get the money back. President Barack Obama referred to the bonus program as an "outrage." Then-New York Attorney General Andrew Cuomo declared that the idea of giving performance bonuses to AIG employees was "adding insult to injury" and issued subpoenas for the names of recipients.¹ At a hostile congressional hearing, Boston Representative Stephen Lynch compared AIG leaders to the captain and crew of a ship who took the lifeboats and said "to hell with the passengers."² Congress threatened to "claw back" the money by imposing high tax rates on the payouts.

AIG President Edward Liddy defended the bonuses, arguing that they could not be rescinded because they were written into the contracts of employees with the approval of the Treasury Department. Breaking the contracts could spur lawsuits. He noted that the amount of the payouts was small when compared to the company's exposure to \$1.6 trillion in potential derivative losses. Further, current employees were best equipped to clean up the mess. "I am trying desperately to prevent an uncontrolled collapse of that business," said Liddy. "This is the only way to improve AIG's ability to pay taxpayers back quickly and completely."³ Nevertheless, Liddy urged those receiving the largest bonuses to return the money, and most did.

The New York attorney general backed off his subpoena threat after much of the money was returned. Congress shifted its attention to other matters. However, the fallout from the taxpayer bailout and bonus scandal

continued. CEO Liddy resigned. In response to the firestorm of negative publicity, the company removed the AIG name and logo from its buildings. Employees were encouraged not to display their company ID cards and not to wear AIG-branded apparel in public. The Obama administration appointed a "pay czar" to impose limits on compensation for the top 100 executives at AIG and other firms receiving TARP funds.

Discussion Probes

1. Do you agree with government leaders that some companies, like AIG, are too big to fail? If so, should there be a limit on how large companies can grow?
2. Did the AIG bonuses reward failure, or were they necessary to retain the experienced executives who were best equipped to clear up the toxic assets of AIG?
3. If you had been the president of AIG, would you have refused to pay these bonuses? Why or why not?
4. If you had received one of the AIG bonuses, would you have returned the money? Why or why not?
5. Should the government regulate compensation at taxpayer-supported firms? At all large U.S. companies?
6. What leadership ethics lessons do you take from this case?

Notes

1. Kennedy, H. (2009, March 17). Enough is enough! *Daily News (New York)*, p. 6.
2. McAuliff, M., & Kennedy, H. (2009, March 19). Give it back! AIG's chief begs execs. *Daily News*, p. 7.
3. Brune, T. (2009, March 19). Not his fault but now his problem. *Newsday*, p. A7.

Sources

- AIG bonuses; only part of the mess. (2009, March 19). *The Philadelphia Inquirer*, p. A14.
- Barron, J., & Buettner R. (2009, March 20). Scorn trails A. I. G. executives, even in their own driveways. *The New York Times*, p. A1.
- H.R. 1577: To require the Secretary of the Treasury to pursue every legal means to stay or recoup certain . . . (2009, July 12). *GovTrack.us*. Retrieved from <http://www.govtrack.us/congress/bill.xpd?bill=h111-1577>

(Continued)

(Continued)

Labaton, S. (2009, June 11). Treasury to set executives' pay at 7 ailing firms. *The New York Times*, p. A1.

Peddle, S. (2009, March 24). Top AIG execs return bonuses. *Newsday*, p. A03.

Puzzanghera, J., Simon, R., & Kristof, K. M. (2009, June 11). Financial crisis; plans to rein in exec pay announced. *Los Angeles Times*, p. B1.

Saporito, B., Calabresi, M., Duffy, M., Newton-Small, J., Schere, M., Thompson, M., Zagorin, A. (2008, March 30). *How AIG became too big to fail*. Retrieved from <http://www.time.com/time/business/article/0,8599,1886275,00.html>

Son, H. (2009, June 19). AIG tries to keep a low profile. *The Boston Globe*, Business, p. 7.

Nonprofit leaders can also abuse the perks that come from their positions of influence. British citizens were shocked to learn that members of Parliament (MPs) had billed the government for such expenses as purchasing a chandelier and a floating duck island, maintaining a helipad, cleaning a moat, plumbing a tennis court, repairing a swimming pool boiler, and reimbursement for interest on nonexistent mortgages.²⁴ A number of MPs decided to resign or not stand for reelection. For the first time in 300 years, the Speaker of the House of Commons (who was supposed to monitor MP expenses) was forced to step aside.

Leader excess is not a new phenomenon. Ancient Chinese philosophers criticized rulers who lived in splendor while their subjects lived in poverty. Old Testament prophets railed against the political and social elites of the nations of Israel and Judah, condemning them for hoarding wealth, feasting while the poor went hungry, and using the courts to drive the lower classes from their land.

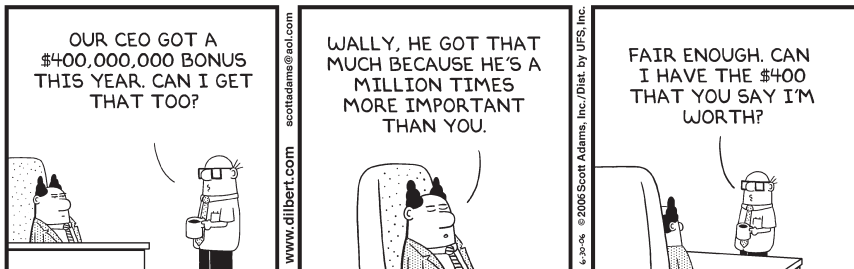
The passage of time hasn't lessened the problem but has made it worse. There are an estimated 950 billionaires in the world, with a combined wealth of \$3.5 trillion. At the same time, the poorest of the poor are deprived of such basic necessities as food, shelter, clean water, and health care. The AIDS epidemic is fueled in large part by poverty. Little money is available in the developing world for prevention efforts or AIDS medicines. While wealthy nations generally provide AIDS medications for their citizens, approximately 12 million individuals in poor countries are unable to get the drugs they need to save their lives. The problem appears to be getting worse as governments and nongovernmental organizations cut back on funding for AIDS programs as a result of the worldwide recession. The Joint United Nations Programme on HIV/AIDS estimates that, by the year 2025, the disease will take the lives of 31 million people in India, 18 million in China, and as many as 100 million in Africa.²⁵

Most of us would agree that leaders deserve more rewards because they assume greater risks and responsibilities, and some leaders get more than they deserve. Beyond this point, however, our opinions are likely to diverge. Americans are divided over such questions as “How many additional privileges should leaders have?” “What should be the relative difference in pay and benefits between workers and top management?” and “How do we close the large gap between the world’s haves and have-nots?” We’ll never reach complete agreement on these issues, but the fact remains that privilege is a significant ethical burden associated with leadership. Leaders must give questions of privilege the same careful consideration as questions of power. The shadow cast by the abuse of privilege can be as long and dark as that cast by the misuse of power. Conversely, sharing privilege can cast significant light. Every year, for example, thousands of Americans (often members of religious congregations) leave their comfortable homes to spend their vacations serving in developing nations. There they build schools and homes, dig wells, and provide medical care.

The Shadow of Mismanaged Information

Leaders have more access to information than do others in an organization. They are more likely to participate in the decision-making processes, network with managers in other units, have access to personnel files, and formulate long-term plans. Knowledge is a mixed blessing. Leaders must be in the information loop in order to carry out their tasks, but possessing knowledge makes life more complicated. Do they reveal that they are in the know? When should they release information and to whom? How much do they tell? Is it ever right for them to lie?

No wonder leaders are tempted to think ignorance is bliss! If all these challenges weren’t enough, leaders face the very real temptation to lie or hide the truth to protect themselves. For instance, tobacco executives swore before Congress that smoking was safe even though they had sponsored research that



SOURCE: Dilbert: @Scott Adams/United Features Syndicate, Inc.

said otherwise. Prominent pastor Ted Haggard tried to salvage his ministry by denying that he had sex with a male prostitute. (Case Study 1.2 on page 32 describes another example of how leaders tried to cover up the truth.)

The issues surrounding access to information are broader than deciding whether to lie or to tell the truth. Although leaders often decide between lying and truth telling, they are just as likely to be faced with the questions related to the release of information. Take the case of a middle manager who has learned about an upcoming merger that will mean layoffs. Her superiors have asked her to keep this information to herself for a couple of weeks until the deal is completed. In the interim, employees may make financial commitments (home and car purchases) that they would postpone if they knew that major changes were in the works. Should she voluntarily share information about the merger despite her orders? What happens when a member of her department asks her to confirm or deny the rumor that the company is about to merge?

Privacy issues raise additional ethical concerns. E-commerce firms routinely track the activity of Internet surfers, collecting and selling information that will allow marketers to better target their advertisements. Supermarkets use courtesy cards to track the purchases of shoppers. Hundreds of thousands of video cameras track our movements at automated teller machines, in parking lots, at stores, and in other public places. Employers are also gathering more and more information about employee behavior both on and off the job.²⁶ Technology allows supervisors to monitor computer keystrokes and computer screens, phone calls, website use, voicemail, and e-mail. Employers also monitor worker behavior outside the workplace. Employees have been fired for comments and pictures posted on blogs and social networking sites. Personal information placed on Facebook and other social networking sites is used to screen out job applicants.

Companies have a right to gather information in order to improve performance and eliminate waste and theft. Organizations are also liable for the inappropriate behavior of members, such as when they send sexist and racist messages using the company's e-mail system. However, their efforts to monitor employee behavior are often done without the knowledge of workers and are inconsistent with organizational values like trust and community. Invading privacy takes away the right of employees to determine what they reveal about themselves; unwanted intrusion devalues their worth as individuals.²⁷

In sum, leaders cast shadows not only when they lie but also when they mismanage information and engage in deceptive practices. Unethical leaders

- deny having knowledge that is in their possession,
- withhold information that followers need,
- use information solely for personal benefit,
- violate the privacy rights of followers,

- release information to the wrong people, and
- put followers in ethical binds by preventing them from releasing information that others have a legitimate right to know.

Patterns of deception, whether they take the form of outright lies or hiding or distorting information, destroy the trust that binds leaders and followers together. Consider the popularity of conspiracy theories, for example. Many citizens are convinced that the U.S. Air Force is hiding the fact that aliens landed in Roswell, New Mexico. They also believe that law enforcement officials are deliberately ignoring evidence that John F. Kennedy and Martin Luther King, Jr., were the victims of elaborate assassination plots. Over one third of Americans polled (and the majority of respondents between the ages of 18 and 29) believe that the Bush administration either planned the attacks on the World Trade Center in 2001 or did nothing after learning of the terrorist plot. These theories may seem illogical, but they flourish in part because government leaders have created a shadow atmosphere through deceit. It wasn't until after the first Gulf War that we learned that our "smart bombs" weren't really so smart and missed their targets. The president and other cabinet officials overstated the danger posed by Saddam Hussein in order to rally support for the second Gulf War.

University of California–Davis history professor Kathryn Olmsted argues that many Americans believe that the government is out to get them in large part because government officials have previously engaged in secret conspiracies.²⁸ In 1962, for example, the Joint Chiefs of Staff cooked up a plan to get citizens to support a war on Castro's Cuba by sending a drone plane painted to look like a passenger airliner over the island to be shot down. Fortunately, this plot (dubbed "Operation Northwoods") never went into effect. However, many others were implemented. According to Olmsted,

By the height of the cold war, government agents had consorted with mobsters to kill a foreign leader, dropped hallucinogenic drugs into the drinks of unsuspecting Americans in random bars, and considered launching fake terrorist attacks on Americans in the United States. Public officials had denied potentially life-saving treatment to African American men in medical experiments, sold arms to terrorists in return for American hostages, and faked documents to frame past presidents for crimes they had not committed . . . Later, as industrious congressmen and journalists revealed these actual conspiracies by the government, many Americans came to believe that the most outrageous conspiracy theories about the government could be plausible.²⁹

Leaders must also consider ethical issues related to the image they hope to project to followers. In order to earn their positions and to achieve their objectives, leaders carefully manage the impressions they make on others.

Impression management can be compared to a performance on a stage.³⁰ Leader-actors carefully manage everything from the setting to their words and nonverbal behaviors in order to have the desired effect on their follower audiences. For example, presidential staffers make sure that the chief executive is framed by visual images (Mount Rushmore, the Oval Office) that reinforce his messages and his presidential standing. Like politicians, leaders in charge of such high-risk activities as mountain climbing and whitewater kayaking also work hard to project the desired impressions. In order to appear confident and competent, they stand up straight, look others in the eye, and use an authoritative tone of voice.

Impression management is integral to effective leadership because followers have images of ideal leaders called prototypes.³¹ We expect that the mountain climbing guide will be confident (otherwise we would cancel the trip!), that the small-group leader will be active in group discussions, and that the military leader will stay calm under fire. The closer the person is to the ideal, the more likely it is that we will select that person as leader and accept her or his influence. Nonetheless, a number of students find impression management ethically troubling. They value integrity and see role playing as insincere because the leader may have to disguise his or her true feelings in order to be successful.

There is no doubt that impression management can be used to reach immoral ends. Disgraced financier Bernie Madoff, for example, convinced investors that he was a financial genius even as he was stealing their money. (More information on Madoff's gigantic fraud scheme can be found in Chapter 2.) Careerists who are skilled at promoting themselves at the expense of others are all too common.³² It would be impossible to eliminate this form of influence, however. To begin, others form impressions of us whether we are conscious of that fact or not. They judge our personality and values by what we wear, for instance, even if we don't give much thought to what we put on in the morning. Most of us use impression management to accurately convey our identities, not to conceal them or to manipulate others.

When considering the morality of impression management, we need to consider its end products. Ethical impression managers meet group wants and needs, not just the needs of the leaders. They spur followers toward highly moral ends. These leaders use impression management to accurately convey information, to build positive interpersonal relationships, and to facilitate good decisions. Unethical impression managers produce the opposite effects, subverting group wishes and lowering purpose and aspiration. These leaders use dysfunctional impression management to send deceptive messages, to undermine relationships, and to distort information, which leads to poor conclusions and decisions.³³

The Shadow of Inconsistency

Leaders deal with a variety of constituencies, each with its own set of abilities, needs, and interests. In addition, they like some followers better than others. The Leader–Member Exchange (LMX) theory is based on the notion that leaders develop closer relationships with one group of followers.³⁴ Members of the “in-group” become advisors, assistants, and lieutenants. High levels of trust, mutual influence, and support characterize their exchanges with the leader. Members of the “out-group” are expected to carry out the basic requirements of their jobs. Their communication with the leader is not as trusting and supportive. Not surprisingly, members of in-groups are more satisfied and productive than members of out-groups. For that reason, LMX theorists have begun to explore ways in which leaders can develop close relationships with all of their followers.

Situational variables also complicate leader–follower interactions. Guidelines that work in ordinary times may break down under stressful conditions. A professor may state in her syllabus that five absences will result in flunking a class, for instance. However, she may have to loosen her standard if a flu epidemic strikes the campus.

Diverse followers, varying levels of relationships, and elements of the situation make consistency an ethical burden of leadership. Should all followers be treated equally even if some are more skilled and committed or closer to us than others? When should we bend the rules and for whom? Shadows arise when leaders appear to act arbitrarily and unfairly when faced with questions such as these, as in the case of a resident assistant who enforces dormitory rules for some students but ignores infractions committed by friends. Of course, determining whether a leader is casting light or shadow may depend on where you stand as a follower. Star NFL quarterback Brett Favre had his own dressing area after being traded from the Green Bay Packers to the New York Jets. The next year he was allowed to join the Minnesota Vikings well after training camp had begun. Favre was comfortable with these arrangements, but some teammates took issue with this special treatment.

Issues of inconsistency can also arise in a leader's relationships with those outside the immediate group or organization. Misgivings about the current system of financing political elections stem from the fact that large donors can buy access to elected officials and influence their votes. Laws often favor those who have contributed the most, as in the case of climate change legislation. Midwestern congressional representatives who received significant contributions from the Farm Bureau and ethanol producers were able to weaken a climate change bill by exempting farmers, ranchers, and biodiesel

refineries from cutting greenhouse gas emissions and by making other changes to the proposed legislation. This group (dubbed the “Agracrats”) has been successful in keeping farm subsidies as well.³⁵ The power of political donations can also be seen in the battle over health care reform. Many of the senators and representatives who opposed health care revisions were major recipients of money from pharmaceutical companies and health care providers.

The Shadow of Misplaced and Broken Loyalties

Leaders must weigh a host of loyalties or duties when making choices. In addition to their duties to employees and stockholders, they must consider their obligations to their families, their local communities, their professions, the larger society, and the environment. Noteworthy leaders put the needs of the larger community above selfish interests. For example, outdoor clothing manufacturer Timberland receives praise for its commitment to community service and social responsibility. Company leaders pay employees for volunteer service, partner with community groups, and support nonprofit organizations through the sale of selected products. In contrast, those who appear to put their interests first are worthy of condemnation. Executives at United Airlines were harshly criticized for profiting at the expense of employees and travelers. The company filed for bankruptcy, which allowed executives to dump pension funds, void labor contracts, and cut costs. A quarter of the workforce was laid off, and those remaining took significant pay cuts. Customer service suffered as a result. When United emerged from bankruptcy, 400 executives (some of whom had helped mismanage the airline into bankruptcy) ended up with 8% of the new firm, estimated to be worth more than \$300 million. CEO Glenn Tilton alone received \$40 million in stock and stock options.³⁶

Loyalties can be broken as well as misplaced. If anything, we heap more scorn on those who betray our trust than on those who misplace their loyalties. Many of history’s villains are traitors: Judas Iscariot, Benedict Arnold, Vidkun Quisling (he sold out his fellow Norwegians to the Nazis), and Tokyo Rose, a U.S. citizen who broadcast to American troops on behalf of the Japanese in World War II. More recent examples of leaders who violated the trust of followers include Enron CEO Kenneth Lay, who assured workers that the firm was in good shape even as it was headed toward collapse (see Case Study 1.3 on page 34), and the leaders of Lehman Brothers, who told investors that the firm was strong even as it was struggling to raise money to stave off bankruptcy during the financial crisis.³⁷

Employees are often victimized by corporate betrayal motivated by the bottom line. Individuals commonly develop deep loyalties to their coworkers and to their employers. As a consequence, they may do more than what is required in their job descriptions, turn down attractive job offers from other employers, and decide to invest their savings in company stock.³⁸ Unfortunately, companies and their leaders often fail to respond in kind. During economic downturns they are quick to slash salaries and benefits and to lay off even the most loyal workers. Even if business is good, they don't hesitate to shut down domestic plants and research facilities in order to open up new operations overseas. No wonder that leaders who stick by their workers shine so brightly. Aaron Feuerstein kept paying his Malden Mills employees after the textile manufacturer's plant burned down. Bob Moore turned over ownership of his Red Mill Natural Foods company to his employees on his 81st birthday.³⁹

As egregious as corporate examples of betrayal appear, they pale in comparison to cases where adults take advantage of children. Catholic priests in Boston; Portland, Oregon; New Mexico; Brazil; Ireland; Germany; and elsewhere used their positions as respected spiritual authorities to gain access to young parishioners for sexual gratification.⁴⁰ Bishops and cardinals failed to stop the abusers. In far too many instances they let offending priests continue to minister and to have contact with children. Often church officials transferred pedophiles without warning their new congregations about these priests' troubled pasts. In another example involving the betrayal of children, described in more detail in Chapter 6, two Pennsylvania juvenile court judges sentenced undeserving young offenders to for-profit detention centers in return for cash payments.

The fact that I've placed the loyalty shadow after such concerns as power and privilege should not diminish its importance. Philosopher George Fletcher argues that we define ourselves through our loyalties to families, sports franchises, companies, and other groups and organizations.⁴¹ Philosopher Josiah Royce contends that loyalty to the right cause produces admirable character traits like justice, wisdom, and compassion.⁴² Loyalty is a significant burden placed on leaders. In fact, well-placed loyalty can make a significant moral statement. Such was the case with Pee Wee Reese. The Brooklyn Dodger never wavered in his loyalty to Jackie Robinson, the first Black player in the major leagues. In front of one especially hostile crowd in Cincinnati, Ohio, Reese put his arm around Robinson's shoulders in a display of support.⁴³

Pay particular attention to the shadow of loyalty as you analyze the feature films highlighted in each chapter. In most of these movies, leaders

struggle with where to place their loyalties and how to honor the trust others have placed in them.

The Shadow of Irresponsibility

Earlier we noted that the breadth of responsibility is one of the factors distinguishing between the leader and follower roles. Followers are largely responsible for their own actions or, in the case of a self-directed work team, for those of their peers. This is not the case for leaders. They are held accountable for the performance of their entire department or unit. However, determining the extent of a leader's responsibility is far from easy. Can we blame a college coach for the misdeeds of team members during the off-season or for the excesses of the university's athletic booster club? Are clothing executives responsible for the actions of their overseas contractors who force workers to work in sweatshops? Do employers owe employees a minimum wage level, a certain degree of job security, and safe working conditions? If military officers are punished for following unethical orders, should their supervisors receive the same or harsher penalties? Rabbis and pastors encourage members of their congregations to build strong marriages. Should they lose their jobs when they have affairs?

Leaders act irresponsibly when they fail to make reasonable efforts to prevent followers' misdeeds, ignore or deny ethical problems, don't shoulder responsibility for the consequences of their directives, deny their duties to followers, or hold followers to higher standards than themselves. We don't hold coaches responsible for everything their players do. Nonetheless, we want them to encourage their athletes to obey the law and to punish any misbehavior. Most of us expect the Gap, Old Navy, and Banana Republic to make every effort to treat their overseas labor force fairly, convinced that the companies owe their workers (even the ones employed by subcontractors) decent wages and working conditions. We generally believe that officers giving orders are as culpable as those carrying them out, and we have little tolerance for religious figures and others who violate their own ethical standards. For that reason, a number of well-known politicians from both parties have been labeled as hypocrites for preaching family values while cheating on their spouses. The list includes (but is not limited to) (1) former vice presidential candidate John Edwards, who had an affair with a campaign videographer while his wife battled cancer; (2) Eliot Spitzer, former New York attorney general and governor who prosecuted prostitution rings while regularly meeting with a hooker; (3) conservative Christian Nevada Senator John Ensign, who had an extramarital affair with a staffer; and (4) South Carolina Governor Mark Sanford, who, as a congressman, urged

Bill Clinton to resign for moral reasons but then remained on the job as governor after spending five days in Argentina with his lover. (He told his staff and the public that he was hiking the Appalachian Trail.)⁴⁴

Many corporate scandals demonstrate what can happen when boards of directors fail to live up to their responsibilities. Far too many boards in the past were rubber stamps. Made up largely of friends of the CEO and those doing business with the firm, they were quick to approve executive pay increases and other management proposals. Some directors appeared interested only in collecting their fees and made little effort to understand the company's operations or finances. Other board members were well intentioned but lacked expertise. Now federal regulations require that the chair of the audit committee be a financial expert. The compensation, audit, and nominating committees must be made up of people who have no financial ties to the organization. These requirements should help prevent future abuses, but only if directors take their responsibilities seriously.

These, then, are some of the common shadows cast by leaders faced with the ethical challenges of leadership. Identifying these shadows raises two important questions: (1) *Why is it, when faced with the same ethical challenges, that some leaders cast light and others cast shadows?* (2) *What steps can we take as leaders to cast more light than shadow?* In the next chapter, we'll explore the forces that contribute to the shadow side of leadership and outline ways to meet those challenges. But first read "Focus on Follower Ethics: The Ethical Challenges of Followership" to learn about the ethical demands facing followers.



FOCUS ON FOLLOWER ETHICS

THE ETHICAL CHALLENGES OF FOLLOWERSHIP

Followers, like leaders, face their own set of ethical challenges. Followers walk on the dark side when they fail to meet the moral responsibilities of their roles. Important ethical challenges confronted by followers include the following.

The Challenge of Obligation. Followers contribute to a shadowy atmosphere when they fail to fulfill their minimal responsibilities by coming to work late, taking extended breaks, not carrying out assignments, undermining the authority of their leaders, stealing supplies, and so on. However, they can also contribute to an unethical climate by taking on too many obligations.

(Continued)

(Continued)

Employees forced to work mandatory overtime and salaried staff at many technology and consulting firms work 70–80 hours a week, leaving little time for family and personal interests. They experience stress and burnout, and their family relationships suffer.

Followers also have ethical duties to outsiders. Carpenters and other tradespeople have an obligation to buyers to build high-quality homes and to meet construction deadlines, for example. Government employees owe it to taxpayers to spend their money wisely by working hard while keeping expenses down. These questions can help sort out the obligations we owe as followers.

- Am I doing all I reasonably can to carry out my tasks and further the mission of my organization? What more could I do?
- Am I fulfilling my obligations to outsiders (clients, neighbors, community, customers)? Are there any additional steps I should take?
- Am I giving back to the group or organization as much as I am taking from it?
- Am I carrying my fair share of the workload?
- Am I serving the needs of my leaders?
- Am I earning the salary and benefits I receive?
- Can I fulfill my organizational obligations and, at the same time, maintain a healthy personal life and productive relationships? If not, what can I do to bring my work and personal life into balance?

The Challenge of Obedience. Groups and organizations couldn't function if members refused to obey orders or adhere to policies, even the ones they don't like. As a result, followers have an ethical duty to obey. However, blindly following authority can drive followers to engage in illegal and immoral activities that they would never participate in on their own. Obeying orders is no excuse for unethical behavior. Therefore, deciding when to disobey is critical. To make this determination, consider the following factors: Does this order appear to call for unethical behavior? Would I engage in this course of action if I weren't ordered to? What are the potential consequences for others, and for myself, if these directions are followed? Does obedience threaten the mission and health of the organization as a whole? What steps should I take if I decide to disobey?

The Challenge of Cynicism. There is a difference between healthy skepticism, which prevents followers from being exploited, and unhealthy cynicism, which undermines individual and group performance. Followers darken the atmosphere when they become organizational cynics. That's because cynicism destroys

commitment and undermines trust. Collective performance suffers as a result. Few give their best effort when they are disillusioned with the group. Cynical employees feel less identification with and commitment to their employers while being more resistant to change. The greater the degree of cynicism, the more effort is directed toward attacking the organization at the expense of completing the task at hand.

The Challenge of Dissent. Expressing disagreement is an important ethical duty of followership. Followers should take issue with policies and procedures that are inefficient, harmful, or costly and with leaders who harm others or put the organization at risk. Doing so serves the mission of the organization while protecting the rights of its members and the larger community. Although followers contribute to the shadowy environment when they fail to speak up, they can go too far by generating a constant stream of complaints. Ethical followers know when to speak up (not every issue is worth contesting) and when to wait until a more important issue comes along. They must also determine whether the problem is significant enough to justify going outside the organization (becoming a whistle-blower) if leaders don't respond.

The Challenge of Bad News. Delivering bad news is risky business. Followers who tell their bosses that the project is over budget, that sales are down, or that the software doesn't work as promised may be verbally abused, demoted, or fired. Organizations and leaders pay a high price when followers hide or cover up bad news, deny responsibility, or shift blame. Leaders can't correct problems they don't know exist. Failure to address serious deficiencies such as accounting fraud, cost overruns, and product contamination can destroy an organization. Leaders who don't get feedback about their ineffective habits (micromanaging, poor listening skills, indecisiveness) can't address these behaviors. When leaders deny accountability and shift blame, this undermines trust and diverts people's focus from solving problems to defending themselves.

To avoid contributing to a shadowy environment, followers must deliver bad news and accept responsibility for their actions. They also need to pay close attention to how they deliver bad tidings, selecting the right time, place, and message channel. Significant problems should be brought to the leader's attention immediately, when he or she is most receptive, and delivered face-to-face whenever possible, not through e-mail, faxes, and other less personal channels.

SOURCE: Adapted from Johnson, C. E. (2007). *Ethics in the workplace: Tools and tactics for organizational transformation*. Thousand Oaks, CA: SAGE, Ch. 7.

(Continued)

(Continued)

Additional Sources

- Bedian, A. G. (2007). Even if the tower is "ivory," it isn't "white": Understanding the consequences of faculty cynicism. *Academy of Management Learning and Education*, 6, 9–32.
- Dean, J. W., Brandes, P., & Dharwadkar, R. (1998). Organizational cynicism. *Academy of Management Review*, 23, 341–352.
- Hajdin, M. (2005). Employee loyalty: An examination. *Journal of Business Ethics*, 59, 259–280.
- Roloff, M. E., & Paulson, G. D. (2001). Confronting organizational transgressions. In J. M. Darley, D. M. Messick, & T. R. Tyler (Eds.), *Social influences on ethical behavior in organizations* (pp. 53–68). Mahwah, NJ: Erlbaum.
- Schrag, B. (2001). The moral significance of employee loyalty. *Business Ethics Quarterly*, 11, 41–66.
- Stanley, D. J., Meyer, J. P., & Topolnytsky, L. (2005). Employee cynicism and resistance to organizational change. *Journal of Business and Psychology*, 19, 429–459.

Implications and Applications

- Understanding the dark (bad, toxic) side of leadership is the first step in promoting good or ethical leadership.
- The contrast between ethical and unethical leadership is as dramatic as the contrast between light and darkness.
- “Toxic” or “bad” leaders engage in destructive behaviors. They may be ineffective, unethical, or both. Common types of bad leaders include incompetent, rigid, intemperate, callous, corrupt, insular, and evil.
- Certain ethical challenges or dilemmas are inherent in the leadership role. If you choose to become a leader, recognize that you accept ethical burdens along with new tasks, expectations, and rewards.
- *Power* may not be a dirty word, but it can have a corrosive effect on values and behavior. You must determine how much power to accumulate, what forms of power to use, and how much power to give to followers.
- If you abuse power, you’ll generally overlook the needs of followers as you take advantage of the perks that come with your position.
- Leaders have access to more information than followers. In addition to deciding whether or not to tell the truth, you’ll have to determine when to reveal what you know and to whom, how to gather and use information, and so on.
- A certain degree of inconsistency is probably inevitable in leadership roles, but you’ll cast shadows if you are seen as acting arbitrarily and unfairly.
- As a leader you’ll have to balance your needs and the needs of your small group or organization with loyalties or duties to broader communities. Expect condemnation if you put narrow, selfish concerns first.

- Leadership brings a broader range of responsibility, but determining the limits of accountability may be difficult. You'll cast a shadow if you fail to make a reasonable attempt to prevent abuse or to shoulder the blame, deny that you have a duty to followers, or hold others to a higher ethical standard than you are willing to follow.
- Followers face their own set of ethical challenges. When filling a follower role, you will need to determine the extent of your obligations to the group, decide when to obey or disobey, combat cynicism, offer dissent, and deliver bad news to your leaders.

For Further Exploration, Challenge, and Self-Assessment

1. Create an ethics journal. In it, describe the ethical dilemmas you encounter as a leader and as a follower, how you resolve them, how you feel about the outcomes, and what you learn that will transfer to future ethical decisions. You may also want to include your observations about the moral choices made by public figures. Make periodic entries as you continue to read this text.
2. Harvard professor Rosabeth Kanter argues that “powerlessness corrupts and absolute powerlessness corrupts absolutely.” Do you agree? What are some of the symptoms of powerlessness?
3. What do your scores on the Brutal Boss Questionnaire reveal about your leader? How can you use this information to become a more effective follower?
4. What factors do you consider when determining the extent of your loyalty to an individual, a group, or an organization?
5. Debate the following propositions in class.
 - The federal government should set limits on executive compensation.
 - Married politicians who have extramarital affairs should be forced to resign.
 - Employers have the right to monitor the behavior of workers when they are not on the job.
6. Evaluate the work of a corporate or nonprofit board of directors. Is the board made up largely of outside members? Are directors qualified? Does the board fulfill its leadership responsibilities? Write up your findings.
7. Which shadow are you most likely to cast as a leader? Why? What can you do to cast light instead? Can you think of any other ethical shadows cast by leaders?
8. Look for examples of unethical leadership behavior in the news and classify them according to the six shadows. What patterns do you note? As an

alternative, look for examples of ethical leadership. How do these leaders cast light instead of shadow?

9. What is the toughest ethical challenge of being a follower? How do you meet that challenge?

CASE STUDY 1.2

HIDING THE TRUTH

Friendly Fire and the Death of Pat Tillman

In war, truth is the first casualty.

—Greek playwright Aeschylus

Former National Football League star Pat Tillman was an authentic American hero. Tillman turned down a 3-year, \$3.6-million contract extension with the Arizona Cardinals to join the Army with his brother Kevin after the September 11 terrorist attacks. His determination to defend his country earned him a letter of thanks from then-Secretary of Defense Donald Rumsfeld and praise from talk show hosts and ordinary citizens.

Tillman took part in the invasion of Iraq and then was transferred to Afghanistan. On April 22, 2004, the two Tillman brothers were part of a patrol that came under enemy fire in a canyon in southeastern Afghanistan. The unit split into two sections (Kevin in one group, Pat in the other) during the battle. In the confusion, soldiers from Kevin's section began firing at Pat's group. Pat Tillman was killed while trying to stop the shooting.

Attempts to cover up the fact that Tillman died due to friendly fire began almost immediately. Fellow soldiers were ordered not to tell Kevin what happened and to burn Pat's equipment, including his protective vest. (These items are supposed to be preserved as evidence in friendly fire cases.) After the first reports about the incident went out on military radio, phone and Internet service was cut off to prevent anyone from discussing the incident. The initial casualty report said that Tillman died by enemy fire. A doctor at a field hospital reported that Tillman received cardiopulmonary resuscitation and intensive care before his life ended (even though the bullets had gone through his head). The initial press release implied that enemy forces had killed the Army Ranger, claiming that he died "when his patrol vehicle came under attack."¹

The most blatant distortions came in Tillman's Silver Star commendation, the third most prestigious military honor. "Above the din of battle, Cpl. Tillman was heard issuing fire commands to take the fight to the enemy," the

recommendation claims.² It also praises Tillman for getting his group through the ambush, which ignores the fact that Tillman and another soldier were killed while two others were wounded. At Tillman's well-publicized funeral, top military officials kept silent as speakers declared that the former football star had died at the hands of the Taliban.

Eventually the truth about Tillman's death came out. Army coroners refused to certify that the death was from enemy fire and asked Army criminal investigators to examine the case. The Tillman family began pressing for the facts. An Army inspector general's investigation found a "series of mistakes" in how the incident was reported but no organized attempt at a cover-up. Four soldiers were given minor punishments, and one had his military pay reduced. The inspector general criticized three generals for their actions, and one was censured for giving a false report and failing to demonstrate leadership. In congressional hearings on the matter, House committee members released an e-mail suggesting that the top-ranking general in Iraq and Afghanistan, General John Abizaid, as well as Defense Secretary Rumsfeld, knew the true cause of Tillman's death within days. (Abizaid testified that he learned a week later, and Rumsfeld claimed that he didn't get word until three weeks after the generals.)

Tillman perished at a bad time for the military, which is probably what prompted the deceit. The war in Iraq was going badly, and the prison abuse scandal at Abu Ghraib was headline news. Officials apparently hoped to stir up patriotism and support for the war while avoiding bad publicity. They used the story of Private Jessica Lynch in much the same way. The Pentagon claimed that Lynch fought back when captured by Iraqi forces and was rescued in a dramatic hospital raid. In truth, she never fired a shot (she was knocked unconscious by the crash of her vehicle), and hospital staff offered no resistance. "The story of the little girl Rambo from the hills who went down fighting is not true," Lynch says. "The bottom line is, the American people are capable of determining their own ideas for heroes, and they don't need to be told elaborate lies."³

Pat Tillman's Silver Star medal will not be taken back, although the wording of the commendation will be rewritten. A Pentagon spokesperson acknowledged mistakes in the case and has apologized on behalf the U.S. Army. However, members of the Tillman family remain bitter about the Pentagon's dishonesty and how the tragedy of Pat's death was turned into an "inspirational message" designed to bolster U.S. foreign policy.⁴ They point out that when the truth was revealed, "Pat was no longer of use as a sales asset."⁵

(Continued)

(Continued)

Discussion Probes

1. Were Army leaders justified in trying to conceal the real cause of Tillman's death? Why or why not?
2. Does Pat Tillman remain a hero despite the fact that he died by friendly fire?
3. Was this a case of a series of mistakes by Army officials or an organized cover-up?
4. Would you punish high-ranking officers and officials, including the Secretary of Defense, for what happened in this case?
5. What leadership and followership ethics lessons do you take from this case?

Notes

1. Colle, Z. (2007, April 21). Evidence of cover-up key to Tillman hearings. *The San Francisco Chronicle*, p. A1.
2. Colle, Z., & Collier, R. (2007, April 25). Lawmakers see cover-up, vow to probe Tillman death. *The San Francisco Chronicle*, p. A1.
3. Cornwell, R. (2007, April 26). Secrets and lies: How war heroes returned to haunt Pentagon. *The Independent* (London).
4. Collier, R., & Epstein, E. (2007, March 27). Tillmans assail Pentagon report. *The San Francisco Chronicle*, p. A1.
5. Krakauer, J. (2009). *Where men win glory: The odyssey of Pat Tillman*. New York: Doubleday, p. 319.

CASE STUDY 1.3

CASTING SHADOWS AT ENRON

In the 1990s, Enron was one of the fastest-growing, most admired companies in the United States. From its humble origins as a regional natural gas supplier, the Houston, Texas, firm grew to become the seventh largest company of the *Fortune 500*. In 2000, the company employed 21,000 people, and its stock hit an all-time high of \$90 per share.

Enron appeared regularly on lists of the nation's best companies, receiving accolades for its innovative climate. The firm focused on energy transportation, trading, and financing and developed new ways to market non-traditional commodities. Founder and CEO Kenneth Lay was profiled in a

number of business magazines, gave generously to local charities, and golfed regularly with Presidents Bill Clinton and George W. Bush.

Rising stock values and revenues were the glue that held the company together. To keep debt (which would lower the price of the stock by lowering earnings) off the books, Chief Financial Officer Andrew Fastow created special-purpose entities. These limited partnerships with outside investors enable firms to share risks while hiding deficits. Although special purpose entities are legal and used in many industries, Enron's partnerships didn't have enough outside investors. In essence, the company was insuring itself. Employees who managed these investments made millions while acting against the best interests of the firm.

In 2001, losses in overseas projects and a major subsidiary caused a financial meltdown. Enron's stock price dropped, and the company was unable to back its guarantees. Financial analysts and journalists who had previously sung the company's praises began to question Enron's financial statements. In the midst of the unfolding disaster, Chairman Lay repeatedly assured employees that the stock was solid. At one point he declared, "Our performance has never been stronger; our business model has never been more robust; our growth has never been more certain." At the same time he was making these optimistic pronouncements, Lay and other officials were calling Bush cabinet members to ask them to intervene on the firm's behalf. Arthur Andersen auditors then forced the company to restate earnings, and the Securities and Exchange Commission began to investigate.

Enron filed for bankruptcy in December 2001, and in January 2002 Lay resigned. Both Fastow and his deputy pled guilty for their roles in creating and managing the illegal partnerships. Enron energy traders also entered guilty pleas for manipulating electricity markets. In 2006, both Lay and Jeffrey Skilling (Lay's short-term replacement) were convicted of conspiracy and fraud for lying about the company's financial health and condoning illegal accounting practices. Lay died of a heart attack before entering jail. Skilling is currently serving a 24-year sentence, but the length of his jail term may be reduced after appeal. A judge ruled that Lay's conviction was void after his death because he had not had a chance to appeal his conviction. As a result, the government cannot seek restitution for victims of his crime from his estate (though individuals can pursue claims through civil court proceedings).

Greed, pride, lack of internal controls, pressure to make quarterly earnings projections, and other factors all played a role in Enron's collapse.

(Continued)

(Continued)

However, most of the blame must go to the firm's executives, who failed to meet each of the challenges of leadership described in this chapter. Leaders at Enron cast shadows in the following ways:

Abuse of Power. Both Lay and Skilling wielded power ruthlessly. Lay routinely demoted vice chairs who disagreed with him, and Skilling frequently intimidated subordinates.

Excess Privilege. Excess typified top management at Enron. Lay told a friend, "I don't want to be rich; I want to be world-class rich." At another point he joked that he had given his wife, Linda, a \$2 million decorating budget for a new home in Houston, which she promptly exceeded. Lay and other executives were able to unload their shares even as the 401(k) accounts of employees (made up largely of Enron stock) were wiped out.

Mismanaged Information. Enron officials manipulated information to protect their interests and to deceive the public. Both executives and board members claimed that they weren't aware of the company's off-the-books partnerships and shaky financial standing. However, both Skilling and Lay were warned that the firm's accounting tactics were suspect, and the Senate Permanent Subcommittee on Investigations concluded, "Much that was wrong with Enron was known to the board."

Inconsistent Treatment of Internal and External Constituencies. Five hundred Enron officials received "retention bonuses" totaling \$55 million after the firm filed for bankruptcy. At the same time, laid-off workers received only a fraction of the severance pay they had been promised. Outsiders also received inconsistent treatment. The company was generous with its friends. As the top contributor to the Bush campaign, Enron used this leverage to nominate friendly candidates to serve on the Securities and Exchange Commission and the Federal Energy Regulatory Commission. Company representatives also helped set federal energy policy that deregulated additional energy markets for Enron's benefit. In contrast, critics of the company could expect retribution. Investment bankers who expressed the least bit of doubt about Enron lost underwriting business from the firm. Critical stock analysts lost their jobs.

Misplaced and Broken Loyalties. Leaders at Enron put their loyalty to themselves above everyone else with a stake in the company's fate:

stockholders, business partners, ratepayers, local communities, and foreign governments. They also abused the trust of those who worked for them. Employees felt betrayed in addition to losing their jobs and retirement savings.

Irresponsibility. Enron's leaders acted irresponsibly by failing to take needed action, failing to exercise proper oversight, and failing to shoulder responsibility for the ethical miscues of their organization. CEO Lay downplayed warnings of financial improprieties, and some board members didn't understand the company's finances or operations. Too often managers left employees to their own devices, encouraging them to achieve financial goals by any means possible. Neither CEO stepped forward to accept blame for what happened after the firm's collapse. Lay invoked Fifth Amendment privileges against self-incrimination; Skilling claimed ignorance.

Discussion Probes

1. Which attitudes and behaviors of Enron's leaders do you find most offensive? Why?
2. Did one shadow caster play a more important role than the others in causing the collapse of Enron? If so, which one and why?
3. How much responsibility should the board of directors assume for what happened at Enron?
4. Should laws be changed to allow the government to seek restitution from the estate of those, like Lay, who are convicted of a crime but die before they have a chance to appeal their convictions?
5. What similarities do you see between what happened at Enron and what happened at other well-known companies accused of ethical wrongdoing?
6. What can be done to prevent future Enrons?
7. What leadership and followership ethics lessons do you draw from this case?

SOURCES: Adapted from Johnson, C. E. (2002). *Enron's ethical collapse: Lessons from the top*. Paper delivered at the National Communication Association convention, New Orleans, LA; Johnson, C. E. (2003). Enron's ethical collapse: Lessons for leadership educators. *Journal of Leadership Education*, 2.

(Continued)

(Continued)

Additional Sources

Conviction of Enron's Lay is vacated by judge. (2006, October 18). *The Wall Street Journal*.

Hays, K. (2007, May 24). Linda Lay files against forfeiture. *The Houston Chronicle, Business*, p. 3.

Jones, A. (2009, January 7). Executives on trial: Enron's Skilling to be resentenced. *The Wall Street Journal*, p. C7.

Mulligan, T. S. (2006, May 26). The Enron verdicts. *Los Angeles Times*, p. A1.

Weidlich, T., & Calkins, L. B. (2006, October 24). Skilling jailed 24 years. *National Post*, p. FP1.

Notes

1. Palmer, P. (1996). Leading from within. In L. C. Spears (Ed.), *Insights on leadership: Service, stewardship, spirit, and servant-leadership* (pp. 197–208). New York: Wiley, p. 200.

2. Palmer, p. 200.

3. Lipman-Blumen, J. (2005). *The allure of toxic leaders: Why we follow destructive bosses and corrupt politicians and how we can survive them*. Oxford, UK: Oxford University Press.

4. Einarsen, S., Schanke Aasland, M., & Skogstad, A. (2007). Destructive leadership behavior: A definition and conceptual model. *The Leadership Quarterly*, 18, 207–216.

5. Kellerman, B. (2004). *Bad leadership: What it is, how it happens, why it matters*. Boston: Harvard Business School Press; Kellerman, B. (2008). Bad leadership—and ways to avoid it. In J. V. Gallos (Ed.), *Business leadership* (pp. 423–432). San Francisco: Jossey-Bass.

6. Kellerman (2004), p. xvi.

7. French, R. P., & Raven, B. (1959). The bases of social power. In D. Cartwright (Ed.), *Studies in social power* (pp. 150–167). Ann Arbor: University of Michigan, Institute for Social Research.

8. Hackman, M. Z., & Johnson, C. E. (2009). *Leadership: A communication perspective* (5th ed.). Prospect Heights, IL: Waveland, Ch. 5.

9. Kanter, R. M. (1979, July–August). Power failure in management circuits. *Harvard Business Review*, 57, 65–75.

10. Pfeffer, J. (1992, Winter). Understanding power in organizations. *California Management Review*, 34, 29–50.

11. Ritchey, W. (2009, January 14). Bush pushed the limits of presidential power. *Christian Science Monitor*, p. 11.

12. Examples taken from Caudron, S. (1995, September 4). The boss from hell. *Industry Week*, pp. 12–16; Terez, T. (2001, December). You could just spit: Tales of bad bosses. *Workforce*, pp. 24–25.

13. Hornstein, H. A. (1996). *Brutal bosses and their prey*. New York: Riverhead.
14. Ashforth, B. E. (1997). Petty tyranny in organizations: A preliminary examination of antecedents and consequences. *Canadian Journal of Administrative Sciences*, 14(2), 126–140; Burton, J. P., & Hoobler, J. M. (2006). Subordinate self-esteem and abusive supervision. *Journal of Managerial Science*, 3, 340–355; Tepper, B. J. (2000). Consequences of abusive supervision. *Academy of Management Journal*, 43(2), 178–190.
15. Bad bosses drain productivity. (2005, November). *Training & Development*, p. 15.
16. For a complete typology of responses to abusive supervisors, see Bies, R. J., & Tripp, T. M. (1998). Two faces of the powerless: Coping with tyranny in organizations. In R. M. Kramer & M. A. Neale (Eds.), *Power and influence in organizations* (pp. 203–219). Thousand Oaks, CA: Sage.
17. Keltner, D., Langner, C. A., & Allison, M. L. (2006). Power and moral leadership. In D. L. Rhode (Ed.), *Moral leadership: The theory and practice of power, judgment, and policy* (pp. 177–194). San Francisco: Jossey-Bass; Kipnis, D. (1972). Does power corrupt? *Journal of Personality and Social Psychology*, 24, 33–41.
18. Bailon, R. R., Moya, M., & Yzerbyt, V. (2000). Why do superiors attend to negative stereotypic information about their subordinates? Effects of power legitimacy on social perception. *European Journal of Social Psychology*, 30, 651–671; Fiske, S. T. (1993). Controlling other people: The impact of power on stereotyping. *American Psychologist*, 48, 621–628.
19. Smith, P. K., Jostmann, N. B., Galinsky, A. D., & van Dijk, W. W. (2008). Lacking power impairs executive functions. *Psychological Science*, 19(5), 441–447.
20. Hackman & Johnson.
21. Anderson, S., Cavanagh, J., Collins, C., Pizzigati, S., & Lapham, M. (2008). *Executive excess 2008*. Retrieved from http://www.faireconomy.org/files/executive_excess_2008.pdf
22. Dickson, D. M. (2009, July 31). Doing well—regardless; billions in bonuses paid employees despite losses. *The Washington Times*, p. A10; Hamilton, W. (2009, July 31). Payouts lavish despite bailout. *Los Angeles Times*, p. A1; Story, L. (2008, December 18). Wall St. profits were a mirage, but huge bonuses were real. *The New York Times*, p. A1.
23. Gonzalez, J. (2009, January 9). Top execs still live like kings. *Daily News*, p. 6.
24. Totaro, P. (2009, June 20). After the MP blitz, a \$4m blackout. *Sydney Morning Herald*, International News, p. 15; Wilson, P. (2009, May 16). Dark day for British parliament. *Weekend Australian*, World, p. 11.
25. Income disparity statistic taken from Sachs, J. (2007, May 27). Sharing the wealth. *Time*, p. 81. Data about the AIDS epidemic taken from Seston, A. (2006, December 6). AIDS day draws attention to epidemic. *The Daily Cardinal*; York, G. (2009, July 20). Recession, broken promises posing health disaster. *The Globe and Mail*, p. A1.
26. Armour, S. (2006, November 8). Employers look closely at what workers do on job. *USA Today*, pp. B1, B2.

27. Hubbart, W. S. (1998). *The new battle over workplace privacy*. New York: AMACOM.

28. Olmsted, K. S. (2009). *Real enemies: Conspiracy theories and American democracy, World War I to 9/11*. Oxford, UK: Oxford University Press.

29. Olmsted, pp. 8–9.

30. Brissett, D., & Edgley, C. (Eds.). (1990). The dramaturgical perspective. In D. Brissett & C. Edgley (Eds.), *Life as theater: A dramaturgical sourcebook* (2nd ed., pp. 1–46). New York: Aldine de Gruyter.

31. Brown, D. J., Scott, K. A., & Lewis, H. (2004). Information processing and leadership. In J. Antonakis, A. T. Cianciolo, & R. J. Sternberg (Eds.), *The nature of leadership* (pp. 125–147). Thousand Oaks, CA: Sage.

32. Bratton, V. K., & Kacmar, K. M. (2004). Extreme careerism: The dark side of impression management. In W. Griffin & K. O'Reilly (Eds.), *The dark side of organizational behavior* (pp. 291–308). San Francisco: Jossey-Bass.

33. Rosenfeld, P., Giacalone, R. A., & Riordan, C. A. (1995). *Impression management in organizations: Theory, measurement, practice*. London: Routledge.

34. For more information on LMX theory, see Graen, G. B., & Graen, J. A. (Eds.). (2007). *New multinational network sharing*. Charlotte, NC: Information Age Publishing; Graen, G. B., & Uhl-Bien, M. (1998). Relationship-based approach to leadership. Development of leader–member exchange (LMX) theory of leadership over 25 years: Applying a multi-level multi-domain perspective. In F. Dansereau & F. J. Yammarino (Eds.), *Leadership: The multiple-level approaches* (pp. 103–158). Stamford, CT: JAI Press; Schriesheim, C. A., Castor, S. L., & Cogliser, C. C. (1999). Leader-member exchange (LMX) research: A comprehensive review of theory, measurement, and data-analytic practices. *The Leadership Quarterly*, 10(1), 63–114; Vecchio, R. P. (1982). A further test of leadership effects due to between-group variation and in-group variation. *Journal of Applied Psychology*, 67, 200–208.

35. Morgan, D. (2009, August 16). Democratic dissenters. *The Oregonian*, p. D5.

36. Shared sacrifice? Not for these airline executives. (2006, February 2). *USA Today*, p. 14A.

37. Berman, D. K. (2008, October 28). The game: Post-Enron crackdown comes up woefully short. *The Wall Street Journal*, p. C2.

38. Rosanas, J. M., & Velilla, M. (2003). Loyalty and trust as the ethical bases of organizations. *Journal of Business Ethics*, 44, 49–59.

39. Seeger, M. W., & Ulmer, R. R. (2001). Virtuous responses to organizational crisis: Aaron Feuerstein and Milt Cole. *Journal of Business Ethics*, 31, 369–376; Tims, D. (2010, February 17). Bob gives Red Mill to workers. *The Oregonian*, pp. A1, A5.

40. Ghosh, B. (2010, March 29). Sins of the fathers. *Time*, pp. 34–37; Pogatchnik, S. (2010, March 14). Abuse scandals hit Catholic Church across Europe. *The Oregonian*, p. A11.

41. Fletcher, G. (1993). *Loyalty: An essay on the morality of relationships*. New York: Oxford University Press.

42. Royce, J. (1920). *The philosophy of loyalty*. New York: Macmillan.

43. Rampersad, A. (1997). *Jackie Robinson*. New York: Alfred A. Knopf.

44. The cheat sheet. (2009, July 9). *The Boston Globe*, p. G23.