CHAPTER 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/The Dark Side of Leadership

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:

> 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. As we saw in the introduction, ethical leaders brighten the lives of those around them significantly by building trust, commitment, and satisfaction; by reducing negative behavior; and by increasing individual and collective performance. 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 focusing on 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) cause significant harm to followers and organizations.

Harvard professor Barbara Kellerman believes that limiting our understanding of leadership solely to good leadership ignores the reality that a great many leaders engage in destructive behaviors.[4] 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."[5]

According to 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 the ability to sustain effective action. They may lack emotional or academic intelligence, for example, or be careless, distracted, or sloppy. Some cannot 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 does not cause AIDS and withheld antiretroviral drugs from HIV-positive pregnant women. These medications would have dramatically cut the transmission of the disease to their babies.

Table 1.1 The Behaviors and Personal Characteristics of Toxic Leaders

Destructive Behaviors	Toxic Qualities
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 (inability 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 (refusal to make tough choices)
Building totalitarian regimes	Failure to understand problems
Failing to nurture followers, including successors	Incompetence 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, England: Oxford University Press, pp. 19–23.

Intemperate. Intemperate leaders lack self-control and are enabled by followers who don't want to intervene or can't. The political career of Marion Barry, Jr., demonstrates intemperate leadership in action. Barry served as mayor of Washington, D.C., 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 six 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 in prison 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 the public interest. Former United Way of 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 U.S. president Bill Clinton behaved in an insular manner when he didn't intervene in the Rwandan genocide that took the lives of 800,000 to 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.

Lipman-Blumen and Kellerman developed their typologies based on case studies of prominent leaders. Now investigators are shifting the focus to ordinary leaders. They are

interested in measuring destructive leader behavior and then determining the impact of bad leadership on followers. In one project, researchers at Bond University in Australia asked employees to explain why they would label someone as a bad leader, describe how a bad leader made them feel, and describe the impact bad leaders had on them and the organization as a whole.[6] Respondents reported that bad leaders are incompetent (they are unable to use technology, for example, and can't work with subordinates or plan strategy) and unethical (they demonstrate poor ethics as well as poor personal and interpersonal behavior). Such leaders made respondents angry and frustrated while lowering their self-esteem. Individual and collective performance suffered as a result. Those working under bad leaders reported feeling more stress at home. They had trouble sleeping, for instance, and felt fatigued. Negative emotions toward their leaders consumed their thoughts and hurt their family relationships. According to the survey, bad leaders often go unpunished; instead, many are promoted or rewarded.

Using information generated by this study, the Australian researchers developed a tool to measure destructive organizational leadership. They discovered that demonstrating just a couple of bad behaviors was enough to label a leader as destructive, even though he or she might also have lots of positive qualities. The Bond scholars identified seven clusters of destructive leader behaviors:[7]

Cluster 1: This type of leader makes poor decisions (often based on inadequate information), lies and engages in other unethical behavior, cannot deal with new technology, and typically fails to prioritize and delegate.

Cluster 2: This type of leader lacks critical skills. She or he is unable to negotiate or persuade and cannot develop or motivate subordinates.

Cluster 3: This type of leader makes good decisions and has the necessary leadership skills but is overly controlling and micromanages followers.

Cluster 4: This type of leader can't deal with conflict but plays favorites and behaves inconsistently.

Cluster 5: This type of leader isn't all that bad but isn't all that good either. Leaders in this category don't seek information from others, don't change their minds, and don't do a good job of coordinating followers.

Cluster 6: This type of leader isolates the group from the rest of the organization.

Cluster 7: This type of leader creates a situation of "significant misery and despair." Leaders in this group are brutal and bullying, frequently lying and engaging in other unethical behavior.

Ståle Einarsen and his Norwegian colleagues offer an alternative classification of bad leadership based on its negative effects either on the organization or on followers. Destructive leaders can be antiorganization, antisubordinates, or both.[8] *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 both 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. *Laissez-faire leaders* engage in passive and indirect negative behavior. They occupy leadership positions but don't exercise leadership, therefore hurting followers and their organizations. *Constructive leaders,* on the other hand, care about subordinates and help the organization achieve its goals while using resources wisely. Einarsen and his fellow researchers found a high incidence of bad leadership in Norwegian organizations, with 61% of respondents reporting that their immediate supervisors engaged in ongoing destructive behavior over the past six months. Laissez-faire behavior was by far most common form of bad leadership, followed by supportive-disloyal leadership, derailed leadership, and tyrannical leadership.[9] (Turn to Self-Assessment 1.1 at the end of this chapter to determine whether your leader engages in destructive leadership behavior.)

While empirical research into bad leadership is just beginning, initial results suggest that Palmer was right to emphasize the importance of the shadow side of leadership. Followers have lots of firsthand experience with bad leaders and report that such leaders cause significant damage. It takes only a few destructive behaviors to overcome a leader's positive qualities. In addition, the shadows cast by destructive leaders extend beyond the workplace. Not only do their subordinates report that they are less motivated and less effective at work, but they also acknowledge that their home lives suffer as well.

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 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. (For a list of the ethical challenges faced by those in the follower role, see "Focus on Follower Ethics: The Ethical Challenges of Followership.)

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 those described below.

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. 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 involved in home construction have an obligation to buyers to build high-quality houses and to meet 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 us 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 a 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

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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 those 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. (2012). *Organizational ethics: A practical approach* (2nd ed.). Thousand Oaks, CA: Sage, Ch. 9.

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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. One typology, for example, divides power into two categories: hard and soft.[10] *Hard power* uses inducements (bonuses, raises) and threats (arrests, firings) to get people to go along.

Soft power is based on attracting others rather than forcing them or inducing them to comply. Leaders use soft power when they set a worthy example, create an inspiring vision, and build positive relationships with subordinates. Typically those without formal authority rely more heavily on soft power, but even those in formal leadership positions, such as military officers, try to attract followers by acting as role models and emphasizing the group's mission. Effective leaders combine hard and soft power into *smart power* to achieve their goals. For instance, a manager may try to persuade an employee to follow a new policy while at the same time outlining the penalties the subordinate will face if he or she does not comply.

The most popular power classification system identifies five power bases.[11] *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 that person's 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: *Lincoln*" describes one leader who skillfully uses his power to achieve a worthy objective.)

LEADERSHIP ETHICS AT THE MOVIES

Lincoln

Key Cast Members: Daniel Day-Lewis, Sally Field, David Strathairn, Joseph Gordon-Levitt, Tommy Lee Jones, Hal Holbrook

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Synopsis: In January 1865 the Civil War is nearing its conclusion. President Abraham Lincoln (played by Day-Lewis) has already freed the slaves through his Emancipation Proclamation but is worried that slavery could be reinstituted when the defeated Confederate states reenter the Union. He decides to push for congressional passage of the 13th Amendment to the U.S. Constitution, which would permanently ban slavery. However, Lincoln faces opposition from factions in his own Republican Party as well from Democrats. Some representatives want to negotiate for peace first; others oppose abolition; still others fear that banning slavery will be the first step toward racial equality. With the help of Secretary of State William Seward (Strathairn), Lincoln manages to put together a winning coalition. In April, he is assassinated.

Rating: PG-13 for intense war scenes

Themes: types of power, use and abuse of power, deception, politics, courage, humility, justice

Discussion Starters

1. What types of power do Lincoln and Seward use to secure passage of the 13th Amendment? Are any of these strategies unethical?
2. Does the end (the passage of the amendment) justify the means (the use of patronage, delaying the peace process)?
3. What aspects of Lincoln's character do you admire? What character weaknesses do you note?

The use of each power type has advantages and disadvantages. For instance, the dispensing of rewards is widely accepted in Western culture but can be counterproductive if the rewards 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 forms of power that are linked to the position (coercive, reward, and legitimate).[12] 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. (Complete Self-Assessment 1.2 to determine the types of power you prefer to use.)

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."[13] 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.[14] 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 U.S. president Richard Nixon used the power of his office to order illegal acts against his enemies and how Russian president Vladimir Putin punishes those who protest his policies. (Another example of the corrosive effects of power can be seen in Case Study 1.1 later in this chapter.) 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."[15]

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 at some time during their working careers; 20% said they were currently working for an abusive leader. "Brutal" bosses regularly engage in the following behaviors, some of which will be discussed in more detail later in the chapter:[16]

- *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:* making 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.[17] 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.[18] 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, such as the human resources department or the boss's boss, to get help in dealing with the abusive leader.[19]

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, until recently, the military junta in Burma, can be seen in censorship, repression, torture, imprisonment, murder, and starvation. Businesses and other organizations foster centralization of power through top-down structures that emphasize status differences, loyalty, dependence, fear, and obedience while celebrating "tough" bosses and business practices like hard bargaining and aggressive marketing tactics.[20]

Psychologists offer several explanations for why concentrated power is so dangerous.[21] 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.[22] 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.

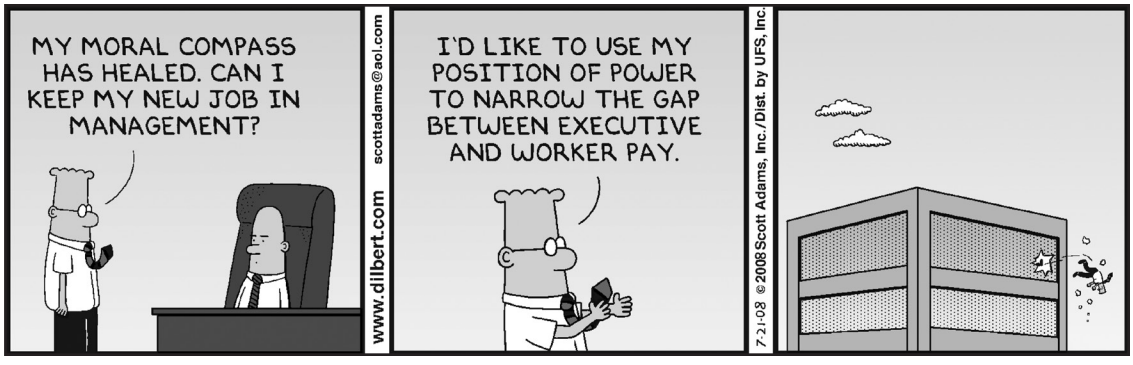
Power deprivation exerts its own brand of corruptive influence.[23] Followers with little power become fixated on what minimal influence they have, becoming cautious, defensive, and critical of others and new ideas. In extreme cases, they may engage in sabotage, such as when one group of fast-food restaurant employees took out their frustrations by spitting and urinating into the drinks they served customers.

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, Patagonia, 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.[24]

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 $14.5 million (including salary, bonuses, stock, and stock option grants).[25] A growing number make more than $50 million a year, including Apple's Tim Cook ($378 million), Walt Disney's Robert Iger ($452 million), and Qualcomm's Paul Jacobs ($50.6 million).[26] The paycheck of the average American was left in the dust. Typical U.S. workers now make less, when adjusted for inflation, than did their counterparts in the 1970s.[27] The top 1% of Americans make approximately 22% of all income, which exceeds the share made by the bottom 50% of the population.[28]

Abuse of privilege is particularly evident in the financial industry. U.S. banking executives received generous pay packages in 2007 even as the country entered 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.[29] As the recession continues, Wall Street pay packages continue to be 5.5 times greater than the rest of the private sector. New York securities firms paid employees an estimated $20 billion in year-end cash compensation in 2011.[30]

Nonprofit leaders can also abuse the perks that come from their positions of influence. Senators criticized the Boys & Girls Clubs of America for paying the organization's president nearly $1 million a year and spending more than $4 million on travel expenses for 350 staff members even as some branches were forced to close. A number of senior U.S. military officers suffer from "rank excess." Many have their own cooks and drivers and travel around in private jets and armored limousines. General David Petraeus had his staff prepare sliced fresh pineapple for him before bedtime when he was traveling. A U.S. Army general in charge of the Africa Command had his staff run personal errands and plan his parties. He spent $750 for a hotel suite for himself and his wife to use during a refueling stop in Bermuda. When he was head of NATO, Admiral James Stavridis took family members on taxpayer-funded private plane trips, stopping on one occasion to attend a wine gathering in France.[31]

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 HIV/AIDS medicines. While wealthy nations generally provide such medications for their citizens, 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. According to the Joint United Nations Programme on HIV/AIDS, two people are becoming infected with HIV for each new person entering treatment. Infection rates are highest in the poor countries of sub-Saharan Africa, with as many as one in five adults living with the virus in some nations.[32]

Most of us would agree that leaders deserve more rewards than followers do because leaders assume greater risks and responsibilities; many would also agree that some leaders get more than they deserve. Beyond this point, however, our opinions are likely to diverge. Americans are divided over questions such as these: How many additional privileges should leaders have? What should be the relative difference in pay and benefits between workers and top management? How do we close the large gap between the world's haves and the have-nots? We will 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 decision-making processes, network with managers in other units, review 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, government and industry officials denied that the Rocky Flats nuclear facility outside Denver posed a health risk even as the facility continued to release plutonium and toxic chemicals into the air and water.[33] The U.S. Army, hoping to prevent bad publicity

and build support for the war in Iraq, lied to cover up the fact that former National Football League star Pat Tillman was killed by friendly fire.[34]

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 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—such as home and car purchases—that they would postpone if they knew that major changes were in the works. Should the manager voluntarily share information about the merger with such employees 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? (Turn to Case Study 1.2 for a description of how one group of leaders made a controversial decision to release information.)

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 target their advertisements more efficiently. Supermarkets use "courtesy" or "club" 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 (and even in not-so-public places, such as high school bathrooms and hospital rooms). Children use popular apps for smartphones and tablets to share personal information without their parents' knowledge.[35] Employers are also gathering more and more information about employee behavior both on and off the job.[36] Technology allows supervisors to monitor computer keystrokes and computer screens, phone calls, website use, voice-mail, and e-mail. Employers also monitor worker behavior outside the workplace. Employees have been fired for posting offensive comments and pictures on blogs and social networking sites. Employers use personal information on Facebook and other social networking sites to screen out job applicants. In a few cases, companies have asked applicants to provide their social media user names and passwords or to log on to their accounts during job interviews so interviewers can look over their shoulders as they scroll through their sites. Applicants can refuse these requests, but many may not because they fear they won't get hired.

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 or racist messages using their companies' e-mail systems. However, efforts to monitor employee behavior are often done without the knowledge of workers and are inconsistent with organizational values such as 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.[37]

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 the hiding or distortion of information, destroy the trust that binds leaders and followers together. Consider the popularity of conspiracy theories, for example. Many Americans are convinced that the U.S. Air Force is hiding the fact that aliens landed in Roswell, New Mexico. Many 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. More than one-third of Americans polled (and the majority of respondents between the ages of 18 and 29) believe that the George W. Bush administration either planned the attacks on the World Trade Center in 2001 or did nothing after learning in advance 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.[38] 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.[39]

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.[40] Leader-actors carefully manage everything from the setting to their words and nonverbal behaviors in order to have the desired effects 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.[41] 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, some people (including a number of students) find the concept of impression management ethically troubling. They particularly value integrity and see such role-playing as insincere because a 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 in a gigantic fraud scheme. Careerists who are skilled at promoting themselves at the expense of others are all too common.[42] It would be impossible to eliminate this form of influence, however. For one thing, 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 convey our identities accurately, 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 convey accurate 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.[43]

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. Leader–member exchange (LMX) theory is based on the notion that a leader develops a closer relationship with one group of followers than with others.[44] Members of the "in-group" become the leader's advisers, 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 a syllabus that five absences will result in a student's flunking the class, for instance. However, she may have to loosen that 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 we, as leaders, treat all followers 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. If you are the star player on your team, you may feel justified taking it easy during practices. If you are less talented, you probably resent the fact that the team's star doesn't have to work as hard as you.

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–related legislation. Midwestern congressional representatives who received significant

contributions from the Farm Bureau and ethanol producers were able to weaken a bill aimed at cutting greenhouse gas emissions by gaining exemptions in the bill for farmers, ranchers, and biodiesel refineries and by making other changes to the proposed legislation. This group (dubbed the "Agracrats") has been successful in convincing Congress to retain farm subsidies as well.[45] The power of political donations can also be seen in the battle over health insurance reform. Many of the senators and representatives who oppose revisions to health insurance law are 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 leaders who appear to put their own 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 the 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.[46]

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 during 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, 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.[47]

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 is required in their job descriptions, turn down attractive job offers

from other employers, and decide to invest their savings in company stock.[48] 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 move their operations overseas, where labor costs are lower. It's no wonder that leaders who stick by their workers shine so brightly. One such leader is Bob Moore, who turned over ownership of his Red Mill Natural Foods company to his employees on his 81st birthday.[49]

As egregious as corporate examples of betrayal appear, they pale in comparison to cases where adults take advantage of children. Catholic priests in Massachusetts, Oregon, New Mexico, Brazil, Ireland, Germany, and elsewhere used their positions as respected spiritual authorities to gain access to young parishioners for sexual gratification.[50] Church leaders, 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 pedophile priests without warning their new congregations about these men's troubled pasts. Officials at Pennsylvania State University turned a blind eye to evidence that assistant football coach Jerry Sandusky was abusing young boys. In another example involving the betrayal of children, 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 is not intended to diminish its importance. Philosopher George Fletcher argues that we define ourselves through our loyalties to families, sports franchises, companies, and other groups and organizations.[51] Fellow philosopher Josiah Royce contends that loyalty to the right cause produces admirable character traits like justice, wisdom, and compassion.[52] 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 baseball's 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.[53]

Pay particular attention to the shadow of loyalty as you analyze the feature films highlighted in the "Leadership Ethics at the Movies" boxes 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 observed that breadth of responsibility is one of the factors distinguishing between the role of leader and that of follower. 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 entire departments or other units. 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 labor 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 those who issue those orders receive the same or harsher penalties? Rabbis and pastors encourage members of their congregations to build strong marriages. Should they lose their jobs if they have affairs?

Leaders act irresponsibly when they fail to make reasonable efforts to prevent misdeeds on the part of their followers, 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, Apple, 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. When a company's employees break the law or make mistakes, we want the CEO to take accountability. That was the case at JPMorgan Chase when a London trader lost more than $3 billion in risky trades. CEO Jamie Dimon first called the crisis a "tempest in a teapot," a statement that drew heavy criticism from financial analysts. Only later did he take responsibility, saying, "I am absolutely responsible. The buck stops with me."[54] (As Case Study 1.3 demonstrates, failure to take responsibility can sometimes have tragic consequences.)

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 American politicians from both major 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 Senator John Ensign of Nevada, who had an extramarital affair with a staffer; and (4) Senator David Vitter of Louisiana, who frequented an escort service run by the woman known as the DC Madam.[55]

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 functioned only as 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 board members appeared interested only in collecting their fees and made little effort to understand the operations or finances of the companies they were supposed to be directing. Other members were well-intentioned but lacked expertise. Now federal regulations require that the chair of a corporation's 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 board members 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 that, when faced with the same ethical challenges, 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 will explore the forces that contribute to the shadow side of leadership and outline ways to meet those challenges.

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. Destructive leaders are common and have negative impacts on followers and organizations.
- 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 will 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 do followers. In addition to deciding whether or not to tell the truth, as a leader 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 will 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 will 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 does your score on the Destructive Leader Behavior Scale (Self-Assessment 1.1) 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 the workers 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 the members 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?

STUDENT STUDY SITE

Visit the student study site at **www.sagepub.com/johnsonmecl5e** to access full SAGE journal articles for further research and information on key chapter topics.

CASE STUDY 1.1

Rupert Murdoch: Down but Not Out

Australian billionaire Rupert Murdoch is one of the world's most powerful men. Murdoch holds controlling interest in the News Corporation, which owns media outlets around the world, including U.S.-based Fox News Network, the 20th Century Fox movie studio, and *The Wall Street Journal.* Murdoch's influence has been greatest in Great Britain, where the U.K. News Corporation controls 40% of the British newspaper market through its ownership of *The Sun, The Times of London,* and *The Sunday Times.* The firm also owns British Sky Television.

Murdoch's dominance over such a large portion of the British media market provided him with political clout. Politicians were afraid to speak out against Murdoch and his company for fear of retaliation. Candidates courted his favor, and his endorsement helped elect the last four British prime ministers. His influence reached its zenith after the 2010 victory of Prime Minister David Cameron (elected after Murdoch swung his endorsement from the Liberal Party to the Conservative Party). Murdoch was Cameron's first visitor at 10 Downing Street following his election, and Andy Coulson, a former U.K. News Corporation editor, was appointed as Cameron's media director. A News Corporation lobbyist had a close relationship with the British culture minister, who had the authority to approve News Corp's bid for BSkyB, Britain's largest and most profitable cable television network. Murdoch protégé Rebekah Brooks, *News of the World* editor and head of the company's British newspaper division, was a neighbor of Cameron's and socialized with him as well as with other prominent government officials.

The first serious challenge to Murdoch's power came in 2011, when *The Guardian* newspaper broke the story that editors at the *News of the World* had hacked into the cell phone of a 13-year-old murder

victim. Employees listened to voice-mail messages left by distraught relatives trying to find the missing girl and then deleted them. Their actions hindered the murder investigation. Later police discovered 4,700 instances of hacking by U.K. News Corp employees and private investigators hired by the company. Victims included not only British royals and celebrities but also ordinary citizens. As the investigation continued, authorities uncovered a broad pattern of corruption. News Corp employees had bribed police and government officials for inside information, including, for example, gossip about celebrities and the phone directory containing contact information for the royal family. To date, 50 editors, reporters, police officers, and government officials have been arrested in connection with the scandal, including Brooks and Coulson.

In response to the crisis, Murdoch fired Brooks and closed the *News of the World.* He withdrew his bid to acquire BSkyB and divided his company into two separate firms, one focusing on newspapers, the other on entertainment. Murdoch retains control of both operations, however, serving as chief executive for each. Despite being known for his hands-on management style (he admitted at one point, "I interfere a bit too much"), Murdoch claimed to be a victim of a "culture of cover-up" at the *News of the World.* He accused corporate officials, including his son James, who ran News Corp's U.K. operations, with keeping him in the dark about what was really going on at the paper.

Prime Minister Cameron, while denying that he had made any deals with Murdoch, did admit that the relationship between politicians and the country's newspapers had been "too close." Media observers and members of the British Parliament were highly critical of the connections between News Corporation officials and governmental leaders. One critic noted that the company's power provided it with "political cover" as it bribed officials and intimidated others. According to a national commission appointed to investigate newspaper ethics, while there was no evidence of hidden deals between Murdoch and any British prime minister, Murdoch and his editors nevertheless exerted a great deal of political influence.

> Sometimes the greatest power is exercised without having to ask. Just as Mr. Murdoch's editors knew the basic ground rules, so did the politicians. The language of trades and deals is far too crude in this context. In their discussions with him, politicians knew that the prize was personal and political support in his mass-circulation newspapers.[1]

A parliamentary panel condemned Murdoch as "not a fit person" to be in charge of a large multinational corporation and claimed that he and his son James engaged in "willful blindness" by not acting sooner to stop the phone hacking by News Corp employees and outside contractors.

There can be little doubt that Murdoch's power has been dealt a serious blow in England. However, the corruption scandal may prove to be only a temporary, minor

setback. Few outside the United Kingdom appeared to be troubled by the scandal, and the company remains highly profitable. "Rupert has his mojo back," said one media analyst in 2012.[2] A number of financial experts applauded the decision to divide the company. They had been pushing the firm to divide for some time, noting that television and film are much more profitable than newspapers. The media entertainment company has plans to buy the Yes television network in New York. The newspaper division may acquire more papers, such as the *Los Angeles Times* and *Chicago Tribune.* Rupert Murdoch has little to fear from his board of directors either. News Corporation board members, many of them family members and senior company executives, gave Murdoch a vote of confidence despite the scandal and the criticisms of members of Parliament and media regulators.

Discussion Probes

1. How did leaders cast the shadow of power in this case?
2. Can you think of other examples where corporate money and influence have corrupted the political process?
3. What other leadership shadows do you see cast in the News Corp phone hacking and bribery scandal?
4. Should Rupert Murdoch be held accountable for the scandal?
5. Should there be limits on how many media outlets one company can own?
6. Should the News Corporation be prevented from purchasing more newspapers or television networks in the United States?
7. Is the scandal only a temporary, minor setback for Rupert Murdoch?

Notes

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2. Cowell, A., & Burns, J. F. (2012, November 21). Ex-leaders at News Corp. face new round of charges. *The International Herald Tribune,* News, p. 3.

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CASE STUDY 1.2

The Gun Owner Next Door

Shortly after the massacre at Sandy Hook Elementary School in Newtown, Connecticut, *The Journal News,* a suburban newspaper published in White Plains, New York, published the names and addresses of all handgun permit holders in its market. The paper provided an interactive online map that allowed readers to zoom in on dots providing information about individual gun holders. Some 44,000 individuals appeared on the map, approximately 1 in every 23 adults in two counties.

Publication of the firearms database unleashed a torrent of criticism as news of the map spread via social media and national media outlets. Gun owners complained that their privacy rights were being violated and that they were being stigmatized like sex offenders. They worried that thieves would use the information to target them for burglaries. (Editors at *The Commercial Appeal* in Memphis generated a similar response in 2009 when that paper published the names and zip codes of everyone with a permit to carry a concealed weapon in Tennessee.) Some argued that such information could endanger abused women by revealing that they were not armed. One angry blogger retaliated by publishing an interactive map with the names and addresses of *Journal News* employees. Other critics complained that the newspaper had published the map to promote an antigun agenda. According to a faculty member at the Poynter Institute, a school for journalists:

> It is journalistic arrogance to abuse public record privilege, just as it is to air 911 calls for no reason or to publish the home addresses of police and judges without cause. Unwarranted publishing of the names of permitted owners just encourages gun owners to skip the permitting.[1]

In its defense, the paper noted that the names and addresses of gun owners are public information available through county clerks' offices in New York. (The county clerk in one county refused to provide the names

and addresses to the paper.) In fact, the editors wanted to publish data on what kinds of weapons area residents possessed and how many guns they owned, but records of this information were not available under a Freedom of Information request. The online map included only those who applied to own handguns—they may not actually have purchased them—and did not have data on rifles or shotguns, which can be bought without a permit.

Janet Hasson, president of the Journal News Media Group, offered this defense of the company's decision to publish the firearms records:

> One of our roles is to report publicly available information on timely issues, even when unpopular. We knew publication of the database (as well as the accompanying article providing context) would be controversial, but we felt sharing information about gun permits in our area was important in the aftermath of the Newtown shootings.[2]

Discussion Probes

1. As a gun owner, how would you respond if your name and address were included in a list of gun owners published in a newspaper or online? Would it make any difference to you if this information was already available to the public through some other source?
2. Did the publication of the database violate the privacy rights of gun owners?
3. Does the public have the right to know who owns guns? Would you want to know if your neighbor owns a gun?
4. By publishing the database, did the newspaper cross the line from journalism to advocacy?
5. Are there certain types of personal information that should never be released to the public?
6. Was the publication of the database ethical? Why or why not?

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CASE STUDY 1.3

Drug Compounding and the FDA

A shipment of contaminated drugs sparked a meningitis outbreak in the United States in 2012. Thirty-nine people died and 620 more were sickened when 14,000 people received spinal injections of a steroid designed to relive chronic neck and back pain. The product, manufactured by the New England Compounding Center (NECC), was contaminated with a black fungus. Others injected with the steroid developed spinal infections or abscesses that required surgery. The antifungal drugs prescribed to treat the spinal infections can cause liver, kidney and heart problems as well as hallucinations.

Inspectors found a variety of sterilization violations at the NECC plant, including dirty mats and hoods, a greenish-yellow residue on equipment, inadequate time to sterilize products, a leaky boiler, an air conditioner designed to control temperature and humidity that was shut off at night, and possible environmental contamination from a recycling center located next door. In several vials the presence of mold and fiber was visible to the naked eye. Said one sterility expert, "In all my time in the pharmaceutical industry, which is 45 years, I've never seen one this bad."[1]

The company's owner and chief pharmacist, Gary Cadden, lost his license, as did three other co-owners. NECC then filed for bankruptcy. Ameridose, another firm owned by Cadden and members of his family, was also closed due to safety violations. Some employees reported that executives at Ameridose and NECC continually pushed for speedy production to increase profits. Cadden and the other owners enjoyed lavish lifestyles, which included multimillion-dollar homes (one with a home theater and indoor saltwater pool) and luxury cars.

Following the outbreak, journalists, congressional representatives, and others wondered why NECC was allowed to stay in operation despite ongoing safety concerns. In 2003 the U.S. Food and Drug Administration (FDA) had warned about "potential for serious public health consequences" because of the company's poor sterilization procedures. While the FDA recommended that NECC be shut down, the agency deferred to Massachusetts regulators, who reached a settlement with the company that kept it open. The Massachusetts Pharmacy Board investigated NECC 12 times between 1998 and 2012 and issued four advisory letters. Yet the firm continued to ship medications to hospitals, pain clinics, and medical centers around the United States.

In a congressional hearing titled "The Fungal Meningitis Outbreak: Could It Have Been Prevented?," House Energy and Commerce Subcommittee members blamed FDA Commissioner Dr. Margaret Hamburg for lax oversight. Representative John Dingell of Michigan charged that the FDA and the Massachusetts Pharmacy Board "have dropped the ball." The FDA administrator defended her agency, arguing that while the FDA has jurisdiction over drug manufacturers, it does not have authority to regulate drug compounders. Compounders, companies that mix drugs in small amounts for specific patients with special needs,

don't have to register with the FDA, share their records, open their facilities to inspections, or report adverse effects from the products they make. They are regulated by the states instead. Hamburg asked for expanded authority to oversee compounding pharmacies.

Committee members were not impressed with Hamburg's testimony. They pointed out that NECC had clearly been mass-producing drugs and shipping them all over the nation, which made the company a drug manufacturer, not a drug compounder. The FDA raided the NECC production facility after the outbreak and seized computers and drug samples, which indicated to the subcommittee that the FDA did have jurisdiction over its operations. Even if the FDA's authority to act was unclear, Representative Henry Waxman of California claimed that he would have intervened had he headed the agency. "I would have assumed jurisdiction," he said. "I would have acted on it."[2]

The state of Massachusetts proposed new regulations to monitor drug compounders, including strict licensing requirements and fines for safety violations. Nevertheless, there is nothing to keep these operations from moving across state lines. And other compounders have had safety problems as well. Nine patients at an Alabama hospital died in 2011 after receiving a feeding solution that was contaminated with bacteria from a Birmingham compounder. A South Carolina pharmacy caused five cases of fungal meningitis in 2002.

Determining who has regulatory responsibility for compounding pharmacies is critical, since compounders make up a rapidly growing segment of the medical market, accounting for 2–3% of all prescriptions written in the United States. Not only do compounders offer specialized products, but their prices can be lower as well. Then, too, patient and doctor demand for compound medications is increasing. Pain clinics are prescribing more of the kinds of steroid shots involved in the meningitis outbreak, for example. Patients are desperate for pain relief, and the shots are highly profitable to administer. However, pain experts argue that steroids, while effective for some patients, are overused in the United States. More often than not they are ineffective. Some of the patients who contracted meningitis should not have been getting steroid injections in the first place.

Discussion Probes

1. How much blame should be placed on the FDA for failing to prevent the meningitis outbreak? How much responsibility belongs to the state?
2. Should FDA Commissioner Hamburg have shut down the NECC plant even though she lacked clear jurisdiction to do so? What might have been the consequences had she done so?
3. What principles should guide leaders when they are deciding whether or not to act when their authority is unclear?
4. Should the FDA be given more power to regulate the drug compounding industry?
5. Should doctors refuse to provide treatments that may not work for patients who demand those treatments?

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SELF-ASSESSMENT 1.1

Destructive Leader Behavior Scale

Instructions: Think of a leader, supervisor, or manager you have worked with in the past five years. Rate this individual on each of the following items. A rating of 1 indicates that this person *never* engages in this behavior; a rating of 5 indicates that he or she engages in this behavior *very often.*

1	2	3	4	5
Never				Very Often

1. Avoids addressing important issues
2. Denies subordinates things they are entitled to (e.g., lunch breaks, vacation time)
3. Disciplines subordinates a long time after the rule infraction occurs
4. Discounts feedback or advice from subordinates
5. Fails to defend subordinates from attacks by others
6. Fails to give subordinates credit for jobs requiring a lot of effort
7. Falsely accuses or punishes subordinates for something they were not responsible for

8. Ignores phone calls and/or e-mails
9. Inadequately explains performance reviews
10. Insults or criticizes subordinates in front of others
11. Invades subordinates' privacy
12. Is confrontational when interacting with subordinates
13. Says one thing and does another
14. Shows no clear standards for administering rewards and punishments
15. Accepts financial kickbacks
16. At times appears to be under the influence of alcohol or recreational drugs while at work
17. Breaks the law while at work
18. Falsifies documents
19. Lets violations of company policy slide
20. Litters the work environment
21. Steals company funds
22. Steals company property and resources
23. Tells people outside the job what a lousy place he or she works for
24. Uses company property for personal use
25. Violates company policy/rules
26. Brings inappropriate sexual material to work (e.g., pornography)
27. Engages in romantic and/or sexual relationships with others from work
28. Hints that sexual favors will result in preferential treatment

Scoring

Possible score ranges from 28 to 140. The higher the score, the greater your leader's destructive behavior. You can also determine the leader's tendency to engage in three types of destructive behavior. Items 1–14 measure subordinate-directed behavior. Items 15–25 measure organization-directed destructive behavior. Items 26–28 measure sexual harassment behaviors.

SOURCE: Thoroughgood, C. N., Tate, B. W., Sawyer, K. B., & Jacobs, R. (2012). Bad to the bone: Empirically defining and measuring destructive leader behavior. *Journal of Leadership & Organizational Studies, 19,* 230–255. Used by permission of the publisher.

SELF-ASSESSMENT 1.2

Personal Power Profile

Instructions: Below is a list of statements that describe possible behaviors of leaders in work organizations toward their followers. Read each statement carefully while thinking about *how you prefer to influence others.* Mark the number that most closely represents how you feel.

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
I prefer to influence others by					
1. increasing their pay level.	1	2	3	4	5
2. making them feel valued.	1	2	3	4	5
3. giving undesirable job assignments.	1	2	3	4	5
4. making them feel like I approve of them.	1	2	3	4	5
5. making them feel that they have commitments to meet.	1	2	3	4	5
6. making them feel personally accepted.	1	2	3	4	5
7. making them feel important.	1	2	3	4	5
8. giving them good technical suggestions.	1	2	3	4	5
9. making the work difficult for them.	1	2	3	4	5
10. sharing my experience and/or training.	1	2	3	4	5
11. making things unpleasant here.	1	2	3	4	5
12. making work distasteful.	1	2	3	4	5
13. helping them get a pay increase.	1	2	3	4	5

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
14. making them feel they should satisfy job requirements.	1	2	3	4	5
15. providing them with sound job-related advice.	1	2	3	4	5
16. providing them with special benefits.	1	2	3	4	5
17. helping them get a promotion.	1	2	3	4	5
18. giving them the feeling that they have responsibilities to fulfill.	1	2	3	4	5
19. providing them with needed technical knowledge.	1	2	3	4	5
20. making them recognize that they have tasks to accomplish.	1	2	3	4	5

Scoring

Record your responses to the 20 questions in the corresponding numbered blanks below. Total each column, then divide the result by 4 for each of the five types of influence.

	Reward	Coercive	Legitimate	Referent	Expert
	1	3	5	2	8
	13	9	14	4	10
	16	11	18	6	15
	17	12	20	7	19
Total					
Divide by 4					

Interpretation

A score of 4 or 5 on any of the five dimensions of power indicates that you prefer to influence others by using that particular form of power. A score of 2 or less indicates that

you prefer not to employ this particular type of power to influence others. Your power profile is not a simple addition of each of the five sources. Some combinations are more synergistic than the simple sum of their parts. For example, referent power magnifies the impact of other power sources because these other influence attempts are coming from a "respected" person. Reward power often increases the impact of referent power because people generally tend to like those who can give them things. Some power combinations tend to produce the opposite of synergistic effects. Coercive power, for example, often negates the effects of other types of influence.

SOURCE: Modified version of Hinken, T. R., & Schriesheim, C. A. (1989). Development and application of new scales to measure the French and Raven (1959) bases of social power. *Journal of Applied Psychology, 74,* 561–567. Reprinted with permission.

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