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**The Dark Side  
of Leadership**  
An Institutional  
Perspective

**Bekir Emre Kurtulmuş**

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*To  
Kübra, Azur, Evren, and Sevim and Hilmi Kurtulmuş*

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## CHAPTER 1

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# Introduction

Leadership has on occasion been presented as a sort of mystical status or title, which allows those who hold it to resolve all their problems as if by waving a magic wand. In fact, leaders are often considered to be heroes within their organizations. As in the general perception of the public and among employees, there is a vague perception in the relevant literature that leaders bring success both to employees and organizations under most circumstances. This places great expectations on leadership and, on occasion, huge disappointments. It is true that successful leadership brings success and increases performance, but not all charismatic individuals can be successful, or even successful leaders. Leaders are sometimes perceived as charismatic and flawless individuals who are capable of leading organizations from success to success without any hiccups along the way.

This exaggerated approach clouds the real role that an effective leader can play. The relevant literature again and again proves that effective leaders are one of the most important assets that organizations can have. However, not all leaders are effective and not all effective or successful leaders are honest and extraordinary individuals. There are so many recent examples of unethical and immoral scandals, from Enron to the 2007 banking collapse, that indicate some leaders may have a hidden agenda or, even worse, a ‘dark side.’ Perhaps an inclination towards the dark side could be a natural state of affairs for some leaders. For such individuals, engaging in immoral or unethical behavior may not be as important as



most of us would think. They may lack a moral framework, and established norms might be nothing more than words.

Despite this, it is a general assumption in the literature and even in society at large that leaders are always ethical and moral, contributing to the positive behaviors of their organizations and thus to the well-being of society as a whole. This false belief provides what we may call dark leaders with rather a large playing field on which to strive for their goals, at the expense of followers and organizations. In fact, throughout the 1990s society liked to see aggressive leaders at the head of large organizations. It was then almost the norm to see bold and determined leaders in business organizations, with few limits placed on their actions (Kramer 2003). Perhaps as a result of this, for the following two decades scholars have been increasingly interested in understanding the dark side of leadership. A considerable amount of data has been accumulated to this end, and there is also ever-increasing pressure from society to tackle leaders' immoral and unethical behavior. This is because immoral and/or unethical actions hurt a society's values and cohesion.

An exploration of the dark side of leadership focuses on leaders' immoral and unethical behavior as well as on the dark side of personality, which is referred to as the dark tetrad. This consists of narcissism, sub-clinical psychopathy, Machiavellianism and everyday sadism. The dark side of leadership is considered to be a part of bad leadership practices, the others being toxic leadership, leadership derailment, and evil, destructive and abusive actions (Higgs 2009). These terms describe bad leadership practices that are harmful and provide negative outcomes for organizations, their staff and even the public. It is argued that leaders do not always behave as they should be expected to. The image of the 'perfect' leader who is responsible, ethical and moral might be very far from the truth.

It may be noted that ethical scandals and immoral behavior involving various types of organizations across the globe shock society at large. There is an ever-increasing pressure being placed on organizational and political leadership by stakeholders to tackle such undesirable situations. There is an important dilemma to answer here. When they receive power, do leaders ensure the well-being of organizations and their employees? Or are they corrupted by the power they receive? Perhaps leaders prefer to follow their own interests and agendas, ignoring group or team benefits; perhaps power may simply corrupt some individuals. It might be that power corrupts those with a weak moral identity but not those with a greater moral identity (De Celles et al. 2012); therefore, when they receive

power how can dark leaders not be corrupted? However, we should note that it is not possible to understand the entire topic from a single viewpoint. Indeed, it is an absolute necessity to examine and try to understand leaders' behavior during any immoral or unethical decision-making process in the round. It may be noted that employees and the organizational context are also important factors that contribute to the dark leadership problem.

All leaders (whether on the dark side, transformational or ethical), organizations and employees operate in a certain institutional framework. This creates strict guidelines for all parties, limiting the behavior and actions of leaders, employees and organizations, or possibly giving leaders freedom of action. When individuals find themselves with an ethical dilemma, they need to check guidelines, thereby learning how to act. However, this framework does not necessarily need to be formal, or even written down, and it could be embedded within an organization's culture: the lack of a formal code of conduct in many organizations in Europe and the USA by no means indicates a lack of norms or values.

Logic therefore dictates that if a moral framework is established and embedded in an organization it should prevent leaders from taking any immoral or unethical decisions. The reality is not this simple. First, an institutional framework does not need to provide norms and values that are ethical. It may be that core values do not prioritize right or wrong behavior, or there may be no values and norms formally laid out; it could be taken for granted that individuals will know how to behave. There may be other considerations as well, such as shareholders' expectations. In some countries the most important stakeholders are the shareholders, and the corporate governance practices are adjusted accordingly. In the USA, for example, a board of directors is strongly involved in top management decisions, in case actions are proposed that are not to the benefit of shareholders.

Therefore, dark leaders may not really have the freedom to behave in any way they wish. Nonetheless, if they are truly Machiavellian they may manipulate others for the benefit of themselves. The dark tetrad of personality traits are socially undesirable, not complying with existing social moral values and ethical norms (Hoth 1979). However, in some circumstances employees may prefer toxic leadership. It has been proposed that employees play a role in the dark side of leadership (Lipman-Blumen 2005).

There is also the point to be made that while an institutional framework shapes and limits individuals or leaders within an organization, in most cases organizations are also prone to external pressures that shape their structure and even the organizational culture. For example, universities should have structural and cultural similarities as they all serve students in basically the same way. In one way or another, most universities' structures are similar: the division of labor, bureaucracy and the overall framework are alike. This is more clearly apparent if an external agency or government institution sets certain standards and rules for the sector. Another example is lawyers, who all have similar ethical and moral standards that are accepted by the sector as a whole. If one does not comply with the basic overall framework, there are both formal and informal implications, of which arguably the latter are more of a deterrent.

Then there is the issue of an organization's members, primarily its employees. An institutional framework is created and shared by them. If they do not accept it, the framework cannot be utilized. Members may over time be able to slowly change the established norms and values, but this mostly depends on their actions. Leader-member exchange theory suggests that there is a dyadic relationship between leader and followers that is based on a leader's offer and whether or not followers are inclined to accept or reject it. This relationship influences the quality of the exchange and the nature of the relationship.

In this book, I will examine the dark side of leaders and explore how they behave morally/immorally and ethically/unethically within organizations. More specifically, I will employ institutional theory to analyze how their behavior is influenced by internal and external factors. Institutional pressures, both formal and informal, will be examined, and as a result their impact on leaders will be revealed. It will be argued that leaders within organizations are not independent from the pressures created by institutional frameworks. These frameworks either prevent them from taking unethical or immoral decisions or provide them with legitimacy for their actions, so they are questioned.

## BOOK OUTLINE

The book falls into two sections. In the first part, through multilayered empirical and theoretical analysis, I focus on the general theme of the dark side of leadership and analyze the term 'dark side.' My analysis reveals that although positive attributes are usually associated with leadership, it is quite common for leaders to exhibit some negative behavior. To further

identify this dark side, the dark side of personality will be discussed: destructive and toxic leadership can be better understood if the dark personality of leaders is identified (Kellerman 2004; Einarsen et al. 2007). Besides, there is a strong correlation between the dark side of personality traits and the dark side of leadership (Paulhus and Williams 2002).

The dark tetrad of personality concept consists of psychopathy, Machiavellianism, narcissism and the recently added everyday sadism. These traits are considered to be toxic to both individuals and organizations, and interestingly are more common among individuals at the top of organizations than at lower managerial levels. In this first section ethical leadership will also be considered. This is at the opposite end of the spectrum to dark leadership, and it enhances our understanding of how leadership could be in an ideal world.

In the second section, I will show the impact of institutions, both formal and informal, on leadership. My argument is that institutional pressures can either compel the leader to be ethical and moral or provide legitimacy for immoral and/or unethical behaviors, so they are questioned less about their course of action, if at all. In the first chapter of this section, I will discuss institutions from various aspects. My argument will mainly be based on North's (1990) formal and informal institutional frameworks, Scott's (1995) three pillars of institutions and the views of DiMaggio and Powell (1983). For example, the code of conduct might create a formal institutional framework, which limits leaders' behavior. On the other hand, in creating an institutional framework in some cultures leaders' behavior can be much less questioned, therefore providing legitimacy for their actions. Both frameworks can therefore either establish limits or give approval for leaders' actions. However, to enhance the discussions, Scott's three pillars of institutions and the works of DiMaggio and Powell (1983) will also be examined. In the final chapter, I will follow a holistic approach, discussing the possible impacts and effects of institutions on leadership behaviors, and subsequently on the dark side of leadership.

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PART I

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# The Nature of Dark Leadership



## CHAPTER 2

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# The Dark Side of Leadership

### INTRODUCTION

This chapter will focus on a single issue, the immoral and unethical behavior of leaders. It is intended to reframe the issue of the dark side of leadership as an organizational, ethical and a toxic problem that I believe organizations' policymakers should be aware of. It will explore the circumstances and environment where the dark side of leaders can flourish and are nurtured. A historical development of the concept is also presented, to contribute to the understanding of the issue. It should be noted that in the relevant literature there is a term 'bad leadership.' This comprises different elements such as leadership derailment, the dark side of leadership, toxic leadership, negative leadership, evil leadership, abusive leadership and destructive leadership (Higgs 2009). For the purpose of this study these terms might be used interchangeably, but the main focus will be on the dark side of leadership and its associated personality traits; this will be discussed in Chap. 3.

It is not only leaders who can be toxic, or on the dark side, but also organizations, which can be toxic through systems and processes implemented by an individual or a group. One could say that such an organization has a dark interior. This can cause a toxic work environment where aggression and other deviant workplace behavior are nourished. In this environment immoral, unethical, illegal and despicable behavior can be observed (Linstead et al. 2014). Nonetheless, this chapter solely focuses

on leaders and their actions rather than organizations or systems that create a toxic or destructive environment.

My point in general is that it is quite natural to have leaders who may be inclined to the dark side of leadership, but organizations should be careful as they may also contribute to negative outcomes. In fact, various studies have repeatedly found that despite some advantages, in many cases allowing the dark side of leadership to flourish eventually led to failure (Furnham et al. 2013). Leaders can either provide well-being for organizations through their engagement with ethical and moral behavior or, as explored in this chapter, they may lead organizations towards the dark side. Furthermore, leaders have institutional and personal power. So can the source of the dark side of leadership be an organization itself? Or is it that the dark side of leadership is allowed to roam free without any limitations within some organizations? Whatever the answer, an analytical discussion should take place.

### WHAT IS LEADERSHIP?

Leadership is considered to be one of the most important assets of an organization, either leading it to success or failure. In fact, it is considered to be one of the most important factors in an organization's success (Landis et al. 2014). As humans are social beings we live within groups. Each group has its own hierarchy. Within this hierarchy there are leaders and followers. Leaders contribute directly to the well-being of individuals, and are one of the crucial factors in the success of employees (Gill 2011). There are countless descriptions of leadership. In fact, when I typed 'leadership' into Google Scholar on May 25, 2018 it yielded 3,960,000 results. Each possible definition takes a different view, but is trying to explain the same concept. However, there is no widely accepted definition. There is also no consensus on how best to develop leaders and leadership (Bolden 2004).

One of the early definitions of leadership is "any act of relevance on a matter of organizational relevance" (Katz and Kahn 1978, p. 334). Recent descriptions of the concept indicate that scholars are taking different views and approaching the subject from different angles. Northouse (2004, p. 3) describes leadership as "a process whereby an individual influences a group of individuals to achieve a common goal." However, this is found to be too individualistic by Bolden (2004), as it locates individuals as the most important source of leadership. He also argues that even Yukl's



(2002, p. 3) definition, which is much more pluralistic, “Most definitions of leadership reflect the assumption that it involves a social influence process whereby intentional influence is exerted by one person [or group] over other people [or groups] to structure the activities and relationships in a group or organisation” (Yukl 2002, p. 3), is inadequate. This is because even this definition does not provide a consensus among scholars. Perhaps one of the simplest definitions comes from Hogan and Kaiser (2005, p. 171): “Leadership is usually defined in terms of the people who are in charge of organizations and their units; by definition, such people are leaders.”

Therefore, it should be recognized that the concept is complicated and the definition you choose is a matter of individual preference. To make the issue yet more complicated, about half of all leaders fail to reach their organizational goals (Burke 2017). Furthermore, leadership in modern organizations is more dynamic than ever. Contemporary workplaces are under constant change. No longer are traditional leadership methods valid: the old view of directing, being stable and a controlling force, is now ineffective. The best leaders are those who can manage dynamically and handle the changing faces of modern workplaces (Murray and Chua 2015). However, there is an argument that today’s leaders are getting worse rather than better (Gill 2011).

Furthermore, one of the key elements of leadership is the ability to influence others and to influence the decision-making process. Clearly, if leaders are power holders then they are the strongest people in organizations. We usually assume that power is associated with brute and aggressive force, but this is far from the truth. One way of influencing decision-making processes uses what is called social influence. This describes the process where leaders are able to change individuals’ behavior and attitudes. From the leadership perspective this involves encouraging subordinates to change their behavior and attitudes, with the intention of achieving certain goals. Traditionally it is perceived that this process happens from top to bottom through directives, but recently scholars have tended to identify it as multidirectional. So, just like leaders influence followers, followers can also influence leaders (Murray and Chua 2015).

It is also important to note the type of power that leaders hold in order to influence their followers. Power may be divided into expert, rewards, coercive, referent and legitimate. Expert power is based on the extent of the knowledge in a given area or the followers’ perception of that knowledge which is attributable to their leader. Rewards power is identified by a

leader's ability to provide rewards for his/her followers. Similarly, coercive power means that a leader is able to coerce employees to follow his/her desire. Referent power is a person's attraction towards or desire to attach him/herself to leaders. Finally, legitimate power is one of the most complex power bases: it stems from internal values that provide legitimacy for a leader's actions (French and Raven 1959).

Nonetheless, despite the collective efforts of scholars throughout the twentieth century, there is still a lack of consensus when it comes to describing the concept of leadership. Researchers strive to identify the effectiveness and impact of leadership; they also try to understand the factors that contribute to effective and efficient leaders. In order to achieve this, various theories have been developed and utilized. All of them enhance our understanding of the leadership concept. Despite this, contemporary workplaces are constantly changing, and generational differences between employees and the need for change make it clear that neither the importance of effective leadership nor scholars' focus on the concept will diminish. Furthermore, new theories and new views will be developed.

## LEADERSHIP THEORIES

Research into leadership theories has been undertaken for more than 100 years (Avolio et al. 2009). In fact, early leadership research can be traced back to the early twentieth century (Avolio et al. 2009). However, an organized social science approach to the study of leadership effectiveness emerged in the 1930s (House and Aditya 1997). Systematic research into identifying what constitutes effective leadership begun in 1930 in Iowa and in the 1940s and 1950s in Ohio and Michigan respectively (Avolio et al. 2009). All the theories that developed are part of a jigsaw puzzle that helps to identify the concept of leadership. Over time a variety of theories and studies accumulated, and as a result about sixty-five different leadership styles have been identified.

Identifying the factors and environment that contribute to effective leadership and effective leaders is a complex process, which requires a deep understanding of the many organizational and individual issues. Over many years, scholars have contributed a wide range of theories that help us to understand the factors that lead to successful leaders. Early leadership theories focused on leaders' individual characteristics, but soon scholars became aware that it is impossible to predict leadership potential by relying only on analyzing individuals' characteristics (Johns and Moser 1989).

In the early part of the twentieth century most research was focused on personality traits and leadership. This was followed by behavior theories that discussed the role that behavior plays in leadership effectiveness. The other prominent and influential leadership theories that have emerged include leader–members exchange, charismatic leadership, transformational leadership and authentic leadership. Eventually, scholars have begun to realize that leadership does not always lead to positive, moral and ethical behavior. In certain cases, leaders can express patterns of behavior or leadership that are associated with an individual’s dark side. Perhaps we should consider Kellerman’s (2004, p. 45 as cited in Bolden 2004, p. 4) statement about the multidimensional aspect of leadership: “Scholars should remind us that leadership is not a moral concept. Leaders are like the rest of us: trustworthy and deceitful, cowardly and brave, greedy and generous. To assume that all leaders are good people is to be wilfully blind to the reality of the human condition, and it severely limits our scope for becoming more effective at leadership.”

### WHAT IS THE DARK SIDE OF LEADERSHIP?

The focus by organizational scientists on the dark side of leadership begun in the last two decades of the twentieth century. In the past we have admired leaders who have exhibited certain traits that belong to the dark side. Yet despite this, we sometimes recognize the destructive effect that these dark leaders can have after they leave their followers in very difficult circumstances. Perhaps we make issues more complicated than they need to be, in that sometimes even when we are aware of the dark side of leaders and their actions we still do little or nothing to stop them (Lipman-Blumen 2005).

This situation arises partly because the clear majority of studies in the leadership literature consider leadership always to be positive and assume that it produces good organizational outcomes. Accordingly, part of the literature discusses this as an oxymoron—because leadership is perceived to be a positive force. In this view, dark leaders cannot really be defined as leaders (Kellerman 2004). In a similar sense, successful leaders are identified as charismatic, heroic and transformational visionaries (Tourish 2013). In fact, Kellerman (2004) makes the point that evil and unethical leaders are everywhere except in business leadership literature. However, for the two decades or so since the beginning of the twenty-first century, scholars have started to focus on a phenomenon that has previously not been

examined: leadership can be a position that is occupied by flawed and incompetent characters who act immorally. Leaders are not necessarily ethical and moral but may be on the dark side. Arguably, it is a delusion that leaders will always be good and their powers will tend to be used for good causes (Herbst 2014).

The dark side of leadership is associated with the words toxic and destructive; there is no clear separation of these terms, and scholars often use them interchangeably. Researchers in general do not define destructive leadership, rather working on the premise that you will “know it when you see it” (Padilla et al. 2007, p. 177). However, these terms both describe the harmful and negative behavior of leaders towards their followers and organizations. Within this literature the scholars identify the dark side of leadership as toxic (Furnham 2010), destructive (Einarsen et al. 2007; Bigelow et al. 2017), tyrannical (Ashforth 1994), dysfunctional (Wu and LeBreton 2011) and aversive (Bligh et al. 2007; Furnham et al. 2013).

Leaders can be considered to be on the dark side when they cause harmful and enduring consequences for their followers by engaging in malicious and hard-to-defend tactics. In fact, toxic leaders may be poisonous, and consequently have a dangerous impact on the organizations they work in. This occurs through the creation of policies and practices that change the culture, for example by implementing unrealistic goals or encouraging excessive internal competition (Lipman-Blumen 2005). The dark side of leadership involves imposing goals on others with a total disregard to their opinions and long-term well-being (Bass and Steidlmeier 1999). Dark leaders are persistent in their failure. They do not change their course of action because of their commitment to the existing strategy. If they change, they believe, it will damage their favorable perceptions of themselves (Conger 1990). This is perhaps not good for their own egos, considering that toxic leaders usually have above average narcissistic personality traits.

Furthermore, dark leaders are naturally gifted with certain communication skills. It is easy for them to manipulate others if they want to. Dark leaders may use this ability to provide a false sense of control, and also using their language abilities they may be able to change employees' perception of circumstances. By doing so, the false sense of success is spread among followers. This in turn allows leaders to behave and manage situations for their own benefit. One of the ways in which to successfully communicate with others is to be a positive stereotype. To do this, an individual has to create an image of uniqueness (Conger 1990). This

image strengthens others' perception of the positive leader. Eventually, followers create a leader cult (Tourish 2013).

More often than not, leaders are given more power than they need in order to succeed. Leaders misunderstand this, and feel more powerful than they actually are. This feeling may cause them to incline towards cheating and hypocrisy, hence moving towards the dark side (Tourish 2013). They feel as if they are very powerful individuals and that they can influence the decision-making process with ease. Subsequently, they may perceive their powers as legitimate, this giving them freedom of action. Employees' acceptance provides conformity, so leaders actions are much less questioned. This can slowly be embedded into an organizational culture.

Despite these facts, dark and unworthy employees can successfully remain in leadership positions. It is a commonplace to see corrupt, malicious, high-handed and immoral leaders in organizations (Kellerman 2004). In fact, more than 80% of bullying cases involve a supervisor (Einarsen et al. 2003). In these circumstances, dark leaders lead to failure more often than to success. However, it may be very difficult for them to understand that they are the source of failure. It should be noted that the most usual dark side personality trait is narcissism. Narcissistic individuals are extremely successful in exaggerating their success and extremely good at not blaming themselves for any wrongdoing.

Toxic or destructive leadership consists of a variety of different behaviors that have an enduring negative effect on both employees and organizations. There are reasons why the dark side of leadership becomes prominent. One of these involves underlying personal traits, such as pride, self-deception and selfishness (McIntosh and Rima 2007). A leader's personality has a very strong impact on behavior within the social construct. Leaders' own agendas could be different from those of organizations. They may like to strictly control their organization and ignore the warning of others about ethical behavior during the difficult times. In such situations they may also be inclined towards immoral and unethical behaviors (Conger 1998).

Therefore, one of the ways in which the dark side of leadership may be understood is by studying the dark side of personality. The so-called dark leaders' traits are socially undesirable and provide harm to both followers and organizations (Judge et al. 2009). These traits are strongly correlated with the dark side of leadership. However, these dark behaviors are not always consequences of the dark side of personality. The dark side of

behavior is not always necessarily the result of the dark side of personality but rather an individual's conscious choice, whether this is socially desirable or not. Such behaviors can be selectively utilized with the expectation of certain benefits. Dark behaviors therefore do not necessarily require individuals to have a large number of dark side personality traits. On the other hand, dark side personality traits and their consequences can be seen consistently and in a predictable manner, independent of the context (Cruickshank and Collins 2015). In fact, it is difficult to separate dark leaders' actions from their personality (Lipman-Blueman 2005). Nonetheless, the relationship between dark leaders and their followers is important for us to understand in the organizational context.

### DARK LEADERS AND FOLLOWERS

One of the best ways of understanding leadership is to study the followers. Leadership literature discusses the fact that leaders are capable individuals determining the future of organizations and individuals. However, this is criticized by scholars who indicate that the role of leaders regarding organizational outcomes has been perceived to be broader than it actually is; most studies do not appropriately consider the part that followers play (Howell and Shamir 2005). In fact, destructive leadership has been described as “volitional behavior by a leader that can harm or intends to harm a leader's organization and/or followers by (a) encouraging followers to pursue goals that contravene the legitimate interests of the organization and/or (b) employing a leadership style that involves the use of harmful methods of influence with followers, regardless of justifications for such behavior” (Krasikova et al. 2013, p. 1310).

There is a complex relationship between dark leaders and their followers, involving organizational and individual circumstances. Leaders may behave inappropriately, unethically or in an immoral way, and followers may contribute to this intentionally or unintentionally by following immoral, unethical and inappropriate behaviors (Clements and Washbush 1999). If there is a negative to the dark side of leadership, then followers play a certain role and carry some responsibility for this. If the dark side of personality affects leaders, then it can also influence their followers in a similar way—which means followers can also be on the dark side (Clements and Washbush 1999). This means they may be high in Machiavellianism, narcissism or sub-clinical psychopathy.

Considering that individuals with high Machiavellianism are good at manipulating and playing political games within their group to influence the decision-making process, it would not be surprising to see such followers being able to influence their leaders. It should be noted, therefore, that destructive organizational outcomes are not only the responsibility of toxic leadership but also that of susceptible followers (Padilla et al. 2007). Followers may not always be aware of their dark side, however, or they may have hidden agendas that are different from the organizational or group goals (Clements and Washbush 1999).

In the leaders–followers’ exchange process, the quality of the relationship is determined mutually between the two parties (Howell and Shamir 2005). There are different ways in which this mutual relationship may be conducted. In fact, a variety of norms and rules determine how such a complicated relationship can be developed between leaders and followers. The favorable treatment of followers by leaders positively influences engagement and increases the followers’ affection for the leaders they work with. If this relationship is poor, then followers envy others who are being led differently. In such cases employees utilize cognitive standards that are based on previous experiences and referent others, and compare themselves with other players (Vecchio 2005). Therefore, this relationship has a great impact on individual and organizational outcomes (Martin et al. 2016).

There are many negative effects that the dark leaders bring to others in their organizations. In fact, the majority of employees state that one of the worst parts of their job is their manager (Burke 2017). The dark side of leadership causes numerous and severe negative effects on followers’ physical, emotional and psychological well-being (Einarsan et al. 2010), both direct and indirect. However, leaders–followers exchange theory suggests that a better relationship between leaders and followers leads to more positive organizational outcomes, such as better employee job attitudes, better creativity and higher performance (Cropanzano et al. 2017).

In this context, it is claimed that followers do not always sit and watch their dark leaders. They may be susceptible to leaders per se. In fact, some scholars say that destructive leadership is not only the result of dark leaders but also a product of dark leaders, their followers and the overall context (Padilla et al. 2007). Interestingly, sometimes followers accept and prefer toxic leaders to their non-toxic counterparts. This choice can be seen anywhere from sports to business organizations (Lipman-Blumen 2005). Conger (1990) discusses the fact that followers may idealize their leaders

to the point that they neglect failures and exaggerate good qualities. Subsequently, followers are encouraged to ignore organizational realities. The dark leaders in these circumstances may nourish such an environment because followers will obey them unquestioningly. This is appreciated by the dark leaders because of their need for admiration and domination.

Moreover, individuals may be voluntarily inclined to unethical or immoral behavior. This is particularly observable among employees who have pro-organizational follower behavior. Such behavior may benefit organizations but it also violates established ethical norms and subsequent values, harming external stakeholders and even, in a broader context, society itself (Effelsberg et al. 2014). It could therefore be argued that dark leaders may find it easier to convince pro-organizational followers towards immoral and unethical behavior. Umphress et al. (2010) find that strong organizational identification and positive reciprocity beliefs are reasons why followers are involved in unethical and immoral behaviors. Therefore, perhaps it would not be wrong to claim that the dark side of leadership can benefit from these weaknesses among their followers and influence followers to act in a way that will benefit them. Effelsberg et al. (2014) discuss the fact that transformational leaders may encourage pro-organizational behavior, thus the unethical behavior of followers. Considering the dark personality traits of the dark leader, it may be very easy for them to encourage pro-organizational yet unethical and immoral behavior of followers, then manipulate the outcome. Subsequently, in some cases, for dark leaders it could be an easy task to manipulate their followers in a desirable direction.

## THE DARK SIDE OF LEADERSHIP AND ITS IMPACT ON ORGANIZATIONS

Dark leaders have various impacts on organizations. Most of these are negative, although some positive attributes can also be seen. Organizational destructiveness may bring problems and negative consequences to followers, social structure and stakeholders. However, it may also enhance leaders' power and position. A dark leader can have longevity and gain strict control over organizations (Padilla et al. 2007). Furthermore, to be considered as destructive the dark leader's behavior should be repetitive and systematic, in a way much like bullying. One single burst of anger or isolated aggressiveness cannot be considered as destructive or toxic. Therefore, in order to be considered as on the dark side, actions should be



taken for a long period of time and should be repeatedly aggressive (Einarsen et al. 2007).

It may not necessarily be on the agenda of dark leaders to consciously harm others. Nonetheless, in some rare cases leaders may intentionally harm organizations or employees, and in others they may follow organizational goals that owing to process may have a toxic and harmful effect on employees and the organization alike. However, in either case there is no need for leaders to be conscious or unconscious about the consequences of their actions. Dark leaders' behavior may be directed towards individuals or the organization itself. This is important because dark leaders have the opportunity to abuse employees personally and abuse the organization through their ability to misuse power. Therefore, a dark leader's intent does not contribute to the destructiveness of his/her actions (Einarsen et al. 2007). Moreover, ineffective leadership and destructive leadership are two separate parts of the literature; they are not underpinned by the same concepts, which means ineffective leaders cannot be considered to be on the dark side. However, incompetent leaders who provide negative organizational outcomes can badly affect both organizations and the individuals within them (Krasikova et al. 2013).

Dark leaders' personality traits are considered as aversive but within the normal range of functioning. Such leaders are normal, therefore, but their actions are on the border with clinical issues. Their actions are also mostly offensive but not clinically definable (Paulhus and Williams 2002). In this context, the dark side of leadership leads to many negative organizational and individual outcomes. Destructive leadership negatively impacts group performance and longevity (Carson et al. 2012). Dark leaders tend to be bullies (Notelaers et al. 2006), bullies have particular personality traits usually associated with the dark side (Adams 2014) and bullying can be employed strategically by dark leaders (Ferris et al. 2007). Dark behavior increases workplace deviance (Mitchell and Ambrose 2007), while it also has a negative impact on employee creativity (Liu et al. 2012), innovation (Holten and Bøllingtoft 2015), well-being (Einarsen et al. 2007; Spain et al. 2016; Volmer et al. 2016), motivation (Einarsen et al. 2007), satisfaction (Einarsen et al. 2007; Bligh et al. 2007) and stress (Spain et al. 2016). The dark leaders influence subordinates career success, although narcissism positively and sub-clinical psychopathy and Machiavellianism negatively (Volmer et al. 2016). Dark leaders take unethical decisions with relative ease (Boddy et al. 2010), and all such leadership practices have a strong impact on employees' intention to quit (Tepper 2000).

Nonetheless, in certain circumstances the dark side of leadership can also achieve success. For example, researchers have found that it can help individuals to get ahead of others (Hogan 2007), that dark employees are very successful at employing various manipulation tactics at work (Jonason et al. 2012) and that narcissistic individuals are more successful in interviews—in the right cultural context (Paulhus et al. 2013). More interestingly, but perhaps not so surprisingly, individuals with a personality dark side are more common at senior level than junior level (Boddy et al. 2010). It is easier to find sub-clinical psychopaths at senior levels than junior levels (Babiak and Hare 2006).

This makes the issue more complicated. Dark leaders are more common at senior level than junior level, which means that they have more power to influence the decision-making process. Therefore, they become more powerful and can utilize manipulation techniques at work with little resistance. This is more observable in some cultures than others: if power distance is higher in a particular culture, then questioning the leaders is much more difficult. They will also have more influence on their followers owing to their power and authority. This allows them to manipulate followers more easily. However, as the above literature review shows, one way or another, short term or long term, for employee or organizations the dark side of leadership eventually leads to failure. There are so many reasons why this happens, but the personality traits of these leaders play a massive role. So why and how do leaders tend to be on the dark side? Is it their nature or context and circumstances that push them in this direction? In the following chapter I will discuss the dark side of personality. Perhaps it is the dark leaders' nature, and who they are.

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## CHAPTER 3

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# The Dark Tetrad of Personality Traits

### INTRODUCTION

In this chapter, I will examine the dark side of the personality, which is described as the toxic and harmful personality of individuals. This was initially defined as the dark triad of personality, and more recently the dark tetrad of personality. The term covers three distinct but correlated personality traits: Machiavellianism, sub-clinical psychopathy and narcissism. This captures the sub-clinical personality characteristics of individuals who are not captured by the big five personality model (Harms et al. 2011). These traits have received the attention of scholars as they are seen to be the most prevalent socially aversive personality traits (Paulhus and Williams 2002). However, scholars have recently added a fourth trait, everyday sadism. Therefore, the dark triad of personality has become the dark tetrad of personality. People who fit this category have been described as “personalities that are aversive but still within the normal range of functioning” (Furnham et al. 2013, p. 199). They are quite undesirable and offensive but on the border of pathological personalities (Paulhus and Williams 2002). I will discuss all these four personality traits, with a section for each. Finally, I will show how these terms are correlated and have similar outcomes both for individuals and organizations.

It was Chabrol et al. (2009) who found that everyday sadism overlaps with the dark triad of personality, and therefore suggested that it should be added to the concept. This suggestion was accepted by scholars and the name of the concept has been expanded, as mentioned above. Paulhus

(2014, p. 421) states that “because of their overlap these four traits should be studied in concert.” He adds that studies consistently show positive correlation between these traits, ranging from 0.20 to 0.60. Therefore, it is necessary to discuss all these traits as part of the dark side of personality. Nonetheless, the dark triad of personality traits is also distinct enough to study separately (Paulhus and Williams 2002; O’Boyle et al. 2012).

Spain et al. (2016) are just the latest to inform us that everyday sadism has been added to the dark side of personality. Almost all work conducted in the literature related to this concept has considered the dark triad of personality rather than the dark tetrad. Therefore, the research and information in the literature relating to everyday sadism is not very comprehensive. Hence, this may have a rather limited discussion here owing to the lack of empirical study and related discussions in the literature. Nonetheless, the trait should be added to our consideration to ensure that the topic is adequately covered; therefore, in order to ensure the provision of a full literature review and for the sake of being comprehensive, I will also refer to the concept as the dark tetrad. Both terms will be used, consistent with the original research to which reference is made. Whether dark triad or dark tetrad is used, I mean the dark side personality traits in general.

Furthermore, a distinction between clinical and sub-clinical personality disorders should be made in order to provide clarity and ensure the ability to draw strict lines between them. Furnham, Richard and Paulhus’s (2013, p. 200) description draws a clear line between the two terms: “*Clinical samples* comprise individuals those currently under clinical or forensic supervision; *Subclinical samples* refer to continuous distributions in broader community samples.”

My focus in this chapter is on showing how these personality traits influence leaders’ behaviors and incline them towards the dark side of leadership. It is a general assumption in the related literature that it is in the nature of dark leaders to be on the dark side because their personalities are reflected in their behavior. Even though dark leaders wish to hide their true nature. In the short term, they may not be able to show their true intent but in the long run both individuals and organizations may become aware of dark leaders’ intentions. However, even then it may be difficult to handle such situations, as the toxic and destructive environment created by the dark leaders will negatively influence surrounding followers and the organization itself.



## THE DARK SIDE PERSONALITY TRAITS WITHIN THE ORGANIZATIONAL CONTEXT

The personal characteristics of leaders have a very strong impact on their behaviors within the social construct that is created by members of an organization. Machiavellianism, narcissism, sub-clinical psychopathy and everyday sadism are seen to be some of the main sources of the dark side of leadership. The traits have six key features: callousness, impulsivity, grandiosity, manipulation, enjoyment of cruelty and criminality (Paulhus 2014). The only item consistently shared by all these traits is callousness. Moreover, Paulhus and Williams (2002, p. 557) suggest that “all three entail a socially malevolent character with behavior tendencies toward self-promotion, emotional coldness, duplicity, and aggressiveness.” This indicates that people who have one or more than one of the so-called dark sides of personality traits have little or no empathy for others. In fact, empathy deficit is one of the most prominent features of the dark side personality traits. In this vein, Wai and Tiliopoulos (2012) found that people high on the dark triad of personality traits show aversive empathic response when they face emotionally stressing circumstances.

Among these key features, narcissism has a strong grandiosity element. Narcissists feel superior and strongly believe that they are good at everything they do. Sub-clinical psychopaths have a strong tendency for criminality, manipulation and impulsivity. Machiavellians are very good at the manipulation of others; in fact, they are extremely good at cheating others. Sadists enjoy cruelty, and have a lack of empathy for the pain of others (Paulhus 2014). Therefore, the dark tetrad of personality is a complex construct and has a negative effect on followers and organizations.

The dark tetrad of personality traits both theoretically and empirically overlap with each other. Thus, much research conducts studies that cover more than one trait (Paulhus 2014). This is supported by findings that the dark side personality traits consistently show positive inter-correlations (Jonason et al. 2009), although some studies found no correlation between narcissism and Machiavellianism (Vernon et al. 2008; Lee and Ashton 2005). Similarly, there is no or very weak correlation between the five factors of personality traits—namely, openness to experience, conscientiousness, extraversion, agreeableness, and neuroticism (OCEAN)—and the dark triad of personality traits. There is an inconsistency of correlation between the dark triad and the big five model. The only one of the five personality trait factors to correlate with the dark side of personality is low agreeableness (Paulhus and Williams 2002) but Jakobwitz and Egan (2006) found no significant

correlation between these traits. Some other studies also found no correlation between the dark triad of personality and the big five model (Vernon et al. 2008). Nonetheless, the dark triad of personality traits correlated with the ten traits of the Supernumerary Personality Inventory (Veselka et al. 2011).

Within this context, scholars have found various impacts that the dark triad of personality has on both individuals and organizations. The dark side personality traits can have short-term benefits in the social context as it helps people hide these traits in order to exploit others. Arguably, the most prominent attribute of the concept is that people with these traits tend to be more self-oriented and have little or no empathy for others. Therefore, individuals with dark side personality traits are not interested in long-time relations with others in the organizational context. Similarly, once real personal qualities are discovered, selfish and self-serving individuals become undesirable and both organizations and followers may react negatively to individuals who have these dark personality traits. However, in such circumstances Machiavellians and sub-clinical psychopaths may adopt hard tactics of manipulations such as threatening whereas narcissist and Machiavellians will utilize soft tactics of manipulation such as complimenting to overcome challenges (Jonason et al. 2012).

Moreover, social exchange theory suggests that the relationship between leaders and followers is initiated and sustained through interchanged rewards and associated cost for employees and leadership. Followers analyze their possible gains, and if the associated cost is high and no possible benefits may be achieved by followers then a problem may arise. Individuals therefore perform their roles in the workplaces for the direct rewards provided, such as payment and bonuses, or indirect rewards such as status. This circumstance creates a dyadic relationship between management and employees. If this provides benefits then it will strengthen the relationship and there will be an affective attachment, a sense of loyalty and support. However, this argument is valid only for an average employee; an individual with the dark side personality traits is not an ordinary individual (O'Boyle et al. 2012). Their total disregard for others and lack of empathy make it difficult for them to consider followers, but if they have to they employ different tactics, either soft or hard.

Furthermore, research shows that there are genetic components for the dark triad of personality traits. It can be said, therefore, that there is a hereditary role being played. Narcissism and sub-clinical psychopathy have shown strong genetic components, whereas Machiavellianism is more associated with non-shared environmental factors, or experience (Veselka

et al. 2011; Vernon et al. 2008). Therefore, sub-clinical psychopaths and narcissistic individuals have genetic conditions, and their true nature involves the aforementioned traits. On the other hand, Machiavellians are created by non-shared environmental factors and past experience. In fact, they are those who are most likely to be modified by experience (Jones and Paulhus 2011). It should also be noted that males tend to have a higher dark triad of personality traits than females (Jonason et al. 2009); and people who have the dark triad of personality traits tend to have a higher non-verbal IQ (Paulhus and Williams 2002).

An element of organizational behavior literature discusses personality traits from a functionality approach. According to this view, personality characteristics are explained as outputs of total characteristics. This is summarized as motives, abilities and perception of situation (MAPs). This determines behavioral tendencies. So an individual could be Machiavellian, a sub-clinical psychopath, a narcissist or a sadist according to MAPs (Spain et al. 2016).

The dark side of personality provides individuals with some advantages; for example, narcissists could be more successful in interviews and they may be leaders in newly created groups. Both narcissism and Machiavellianism provide advantages at the expense of others. This is more observable at the beginning of acquaintance (Jonason et al. 2009). However, eventually, these traits are toxic and harmful both to individuals and organizations. They eventually lead to failures, of leaders and subsequently organizations. Leaders with these traits tend to create toxic and destructive environments where the performance of their followers is negatively influenced. Despite the fact that these traits provide leaders some advantages in certain circumstances, eventually they lead to failure.

## NARCISSISM

Narcissism is one of the most studied personality traits in the dark side of personality concept. There have been an ever-increasing number of researches conducted on narcissism in recent years. The initial research into narcissism goes back to the foundation of psychological inquiry (Grijalva and Harms 2014). The term was promulgated by Freud and comes from Greek mythology. It refers to Narcissus, who fell in love with his own image in a pool and died there because he could not leave, owing to the love he possessed for his own reflection (Bushman and Baumeister 1998). The trait is considered to be a personality disorder and can be both

clinical and sub-clinical. Narcissism is described by the American Psychiatric Association (2000) as “a pattern of grandiosity, need for admiration, and lack of empathy” (p. 685). It consists of feeling superior than others, needing dominance of the group, entitlement and grandiosity sub-factors (Paulhus and Williams 2002). It can be observed along a continuum from high to low levels. There are also different variants of the trait, which can be classified as narcissistic grandiosity and narcissistic vulnerability. These two variants of narcissism have been described as “individuals with grandiosity-related presentations include malignant, overt, oblivious, thick skinned, special child, manipulative, arrogant, and psychopathic. Alternatively, terms that have been used to describe individuals with more vulnerability-related presentations include craving, covert, hypervigilant, thin skinned, shamed child, compensatory, and shy” (Miller et al. 2017, p. 293). There is the important distinction here that rather than approaching narcissism as a personality disorder as a psychologist might, organizational studies consider it to be a personality trait (Grijalva and Harms 2014). Therefore, arguably narcissistic grandiosity may be more relevant to leadership studies. In fact, most of the literature focuses on grandiosity rather than vulnerability, despite the fact that vulnerability narcissism might also be quite relevant (Miller et al. 2017).

Individuals high on the narcissism scale seek admiration and are constantly looking for validation. They also like to show their superiority over and dominance of others (Matosic et al. 2017). Individuals with this trait tend to show self-admiration, self-defense and self-importance (Millon and Davis 1996). They know how to approach self-promotion, as it helps to impress others (Paulhus et al. 2013). Narcissistic individuals also have a need for power, and they have no problem manipulating others for their own benefit (O'Reilly et al. 2018). In fact, they are driven by their own egotistic desires and hunger for power and admiration but have no empathy or consideration for others or the institutions they lead. However, when their ego is threatened and they are insulted, narcissists show extreme levels of aggression. It has been observed that when they are threatened narcissists show higher levels of aggression than others (Bushman and Baumeister 1998). This is supported by Rosenthal and Pittinsky (2006), who show that narcissists show arrogance, paranoia and a higher level of anger than normal individuals. In fact, it is found that narcissism is relevant to the understanding of aggression and violence, as one meta-analysis has found a correlation between these factors (Lambe et al. 2018).

The main aim for narcissistic individuals in reaching leadership positions is to receive power to support their grandiose beliefs (Rosenthal and Pittinsky 2006). Narcissists are quite successful in hiding their true nature when they are introduced to a new group and initially receive positive feedback about their personality, but they cannot hide the trait in the long run and begin to receive negative responses from others. This is because they begin to show self-enhancement and self-deception. They are motivated to gain the admiration of others and want their superiority to be accepted (Judge et al. 2006). Nonetheless, narcissists do not do this in order to exaggerate their talents and receive public acclaim, but because they really believe they are superior to others; they think they deserve it (Paulhus 1998). However, this process is not beneficial in the long run, as it does not enhance personal relations (Judge et al. 2006).

The relationship between narcissism and leadership is complicated, and there is no clear-cut distinction between the two areas. It is generally believed that there is a negative relationship between them. However, there are mixed results from studies that have been conducted, and therefore there is no consensus in the related literature (Grijalva and Harms 2014). In fact, previous research has not even provided a consensus on whether narcissism plays a positive or negative role on leadership. Nonetheless, Grijalva et al. (2015) found a curvilinear relationship between narcissism and leadership effectiveness: the relationship between leadership and narcissism is more apparent when narcissism moderates. Despite this argument, narcissism is one of the personality traits that can be seen in many powerful leaders, as it has two critical components relating to leadership: charisma and grand vision (Rosenthal and Pittinsky 2006).

This is supported by the fact that narcissistic individuals assume themselves to be natural leaders. This belief is supported by the general narcissistic assumption that they have a natural superiority to others (Liu et al. 2017). Sub-clinical personality traits play an important role in leadership development, and narcissism plays a positive role in this (Harms et al. 2011). In fact, narcissism enhances individuals' chance to emerge as leaders (Grijalva et al. 2015), but the leadership qualities tend to decrease over time (Ong et al. 2016).

Narcissistic leaders have various impacts on organizations. Some studies discuss the positive attributes of their traits, such as better company performance after economic crises (Patel and Cooper 2014), a better performance during interviews in the right cultural context (Paulhus et al. 2013), positively affecting the leadership development process (Harms

et al. 2011), and helping leaders to take bold decisions when they face uncertainty (Liu et al. 2017).

However, narcissism also causes immoral and unethical behaviors (Grijalva and Harms 2014); in the majority of cases it leads to increased risk-taking, the manipulation of accounting data and fraud (O'Reilly et al. 2018), as well as counterproductive work behavior (Tepper 2000; Grijalva and Harms 2014). In conclusion, the role that narcissism plays in leadership is not entirely clear, and more research is needed to clarify this. Having said that, it is also clear that narcissism plays an important role both in different organizational outcomes and in leadership effectiveness.

### MACHIAVELLIANISM

The concept of Machiavellianism is based on the philosophy of Niccolò Machiavelli, who was the political advisor to the Medici family in the fifteenth century (Furnham et al. 2013). The original introduction of Machiavellianism into modern personality discussion goes as far back as Christies and Geist (1970). Rather than being a clinical syndrome, a personality disorder, for example, it was distilled from Machiavelli's books (Furnham et al. 2013). Christies and Geist (1970) created a measurement of the trait based on selective statements from Machiavelli's books *The Discourses* and *The Prince*, the latter having been first published in 1532. They tested a questionnaire and conducted an experiment on individuals. Consequently, they observed reliable differences between respondents' answers. Their initial point was that they did not consider Machiavelli as a historic figure but "as the source of ideas about those who manipulate others" (Christies and Geist 1970, p. 1).

Machiavelli's main idea was that the end justifies the means, and he discussed the fact that "a ruler with a clear agenda should be open to any and all effective tactics, including manipulative interpersonal strategies such as flattery and lying" (Jones and Paulhus 2009, p. 93). Machiavelli was advocating that to receive and keep their power leaders should not follow the traditional moral norms; they should be opportunistic and should not allow their personal relationships to affect their decisions (Bedell et al. 2006). Perhaps one of the most important aspects of this trait is pragmatic morality. It is considered to be an antecedent of norm-violating and malevolent behavior, and Machiavellians may have no regard for traditional ethical norms if they create personal hurdles. It is a discussion that highly Machiavellian people behave less ethically than the average

(Jonason and Paulhus 2009). Machiavellianism is associated with questionable financial decisions (Clouse et al. 2017). It has also been found that the trait mediates the relationship between individual differences and ethical judgments (Bass et al. 1999).

Achieving personal benefits and individual gains are the most important considerations for highly Machiavellian people (Muris et al. 2017). In fact, they treat colleagues according to circumstances by taking into account their personal benefits and loss (Pilch and Turska 2015). Furthermore, as they are masters of deception, sometimes it may be difficult to find and identify Machiavellians within organizations (Belschak et al. 2018).

Machiavellians are not necessarily immoral or unethical, although one of the main facets of the trait is total disregard to moral codes if required. They do not like to be limited by any moral and ethical standards, and if they do not have to be they most probably will not (Judge et al. 2009). They are highly adaptive to circumstances. If they sense the possible benefits, they will happily engage and contribute to an organization that has group goals. Therefore it is a trait that is adapted by individuals to achieve certain gains (Sendjaya et al. 2016). People with this trait can be manipulative, and in fact one of the strongest sub-factors of Machiavellianism is manipulation (Paulhus 2014). They believe they can control and manipulate others with relative ease, and if they see personal gain from a particular course of action they will pursue it without considering the negative consequences for others and their organizations (Jones and Paulhus 2009).

Machiavellians can use other people if they need to. One of their main aims is to achieve their objectives, and in order for this to occur they employ any means. In this context, one should recognize the total disregard and lack of empathy that the dark tetrad of personality traits shows on other individuals. Therefore, it is normal for highly Machiavellian people not to consider others if they do not have to. This is supported by Machiavellians' belief that external forces control peoples' behavior and outcomes. They see other people as incapable and incompetent individuals, and therefore they believe others do not have any control of situations: it is the Machiavellian's right to control the situation and his/her followers. In order to manipulate others, they utilize rather indirect means (Jones and Paulhus 2009). Their lack of empathy and total disrespect for others can go so far that research has found a positive relationship between Machiavellianism and workplace bullying (Valentine and Fleischman 2018), although individuals' personality traits are not considered to be the direct determinant of the process (Pilch and Turska 2015). Furthermore,

being a victim of bullying may change the perception of victims, and consequently this could cause an increase in Machiavellianism (Valentine and Fleischman 2018).

Highly Machiavellian people are more successful in unstructured organizations and less so in better structured organizations. This is because they tend to bend rules; they do not respect established regulations and they are flexible. If their flexibility is limited by an established bureaucracy and a structured organization, then high Machiavellianism can cause problems. The problem here is that highly Machiavellian people can be a problem according to one criterion and not to another, owing to their focus on consequences (Jones and Paulhus 2009). They are also more prone to academic cheating, which is accepted as immoral and unethical behavior (Barbaranelli et al. 2018).

Highly Machiavellian leaders may create various outcomes for both followers and organizations. Much like narcissists, they have a strong desire to lead others (Mael et al. 2001). They have the capability to manipulate others for their personal benefit, and if it is necessary they can forcefully convince others. In order to achieve this, Machiavellian leaders can abuse the leadership power that stems from formal organizational authority without further thought. Such leaders lose their moral and ethical integrity and pursue only their own personal agenda; thus the individual benefits. Furthermore, if enforcement will not provide any advantage, highly Machiavellian leaders can employ different leadership and influencing tactics (Judge et al. 2009).

However, it is arguable whether Machiavellianism provides positive or negative advantages during the leadership process. Findings on the matter are varied and no consensus has been achieved; therefore there should be more research to clarify the issue. For example, previous studies have identified a positive relationship between Machiavellianism and charismatic leadership (Kiazad et al. 2010). In this vein, Deluga (2001) found that in thirty-nine American presidents, from Washington to Reagan, there is a positive relationship between Machiavellianism and charismatic leadership and rated performance. Similar to this finding, Bedell et al. (2006) found that there is a relationship between Machiavellianism in outstanding leaders and performance. In fact, Machiavellian leaders are effective at reaching their targets, and if these are in alignment with organizational goals then everyone will see benefits (Judge et al. 2009). Nonetheless, when leaders exhibit Machiavellian behavior it reduces their integrity and morality (Gkorezis et al. 2015).



## SUB-CLINICAL PSYCHOPATHY

Even though the majority of studies are conducted in terms of clinical psychopathy there is an increasing amount of research being conducted into the sub-clinical variant. People who are high in this trait show anxiety and low empathy; they are thrill-seeking and highly impulsive individuals (Paulhus and Williams 2002). Hare et al. (2013, p. 230) define the trait as follows: “Psychopaths are grandiose, deceptive, dominant, superficial, manipulative, affectively shallow, unable to form strong emotional bonds with others and lacking in empathy, guilt, or remorse.” “The Psychopathy Checklist–Revised” consists of two factors/facets. These two factors are interpersonal/effective and social deviance. These two factors also have two sub-factors: interpersonal and effective is related to the interpersonal/effective factor and lifestyle, while antisocial belongs to the social deviance factor in psychopathy. The items in these factors are highly correlated (Hare et al. 2013). Furthermore, one of the central tenets of this trait is callousness.

Sub clinical psychopaths are good at manipulating others. They have no regard for others and have no or very low empathy (Hodson et al. 2009). They also disregard and have no respect for social norms and ethic codes (Hare et al. 2013). They are egocentric and have shallow emotions, and they have no problem with deceiving others for their own personal agenda. Quite similar to narcissism psychopaths, they also possess grandiosity. This is supported by irresponsibility and impulsivity (Mathieu et al. 2013).

It should be clarified that the trait can be found in a range of clinical to sub-clinical disorders, and there are different ranges and fundamental differences to be seen here. The difference between clinical and sub-clinical psychopathy is not the type or category of the behavior. In fact, the behavior that occurs could be very similar or the same; the differences lie in the level and frequency of actions (LeBreton et al. 2006). Both clinical and sub-clinical psychopaths show the same pattern of behavior and action but with a different degree and frequency. This means that sometimes it can be difficult to clearly diagnose psychopathy.

Psychopaths show dysfunctional behavior and can have serious legal problems as well as often an irregular employment history; they can be antisocial and have difficulty in maintaining social relations (Newman et al. 2005). They find it difficult to live in society and often they end up either in jail or in clinical institutions (LeBreton et al. 2006). Such behavior does not take place because of any lack of intelligence or social

disadvantages (Newman et al. 2005). However, even though sub-clinical psychopaths show the same pattern of dysfunctional behavior and actions, their level and rate are much lower (LeBreton et al. 2006). Thus, they can refrain from serious antisocial behavior and can maintain their social relationships, but with difficulties (Hall and Benning 2006). In fact, they are described as antisocial and they tend to have negative feelings for others (Hodson et al. 2009). People with this trait can be seen in any sector and at any level, but are more common at senior levels than others (Boddy et al. 2010). It is also important to emphasize that sub-clinical psychopaths may be observed much more commonly than clinical psychopaths (LeBreton et al. 2006). The likelihood that you will meet a sub-clinical psychopath is much higher than meeting a clinical psychopath. It is estimated that clinical psychopaths constitute about 1% of the population (Boddy et al. 2010).

In fact, corporate psychopaths in the business world are more common than people in general think (Babiak and Hare 2007), and they may be in leadership positions. There are quite a few reasons for this, but Babiak and Hare (2007) discuss the fact that some psychopathic personality characteristics can be a positive advantage during the recruitment process. Psychopaths can have charisma if they need it and they may be charming. They are good at manipulating others during social interactions. Perhaps more importantly, organizations tend to recruit more psychopaths to their leadership cadre because recruitment managers wrongly associate some of psychopathic behavior with good leadership qualities: this includes quick decision-making and getting things done, necessary skills of leadership yet very similar to the psychopathic behaviors of coercion and domination. Moreover, current organizational forms of leaner, less bureaucratic and flexible structures lure psychopathic individuals to organizations as there are fewer managerial controls, thus providing more freedom for their actions. To exacerbate the matter, contemporary organizations need employees to get things done quickly and efficiently, and owing to their natural talent for control and manipulation psychopaths may find this easier, as there is more freedom for their actions. Nonetheless even organizations that are aware of the problematic nature of such individuals may find it difficult to prevent them from being recruited.

However, as with all the other traits of the dark tetrad of personality that might be beneficial in the short term there might also be detrimental effects in the long run. What makes the matter worse is that psychopaths' destructive effects on both followers and organization may well be hidden;

it can be difficult to detect them (Babiak and Hare 2007). Corporate psychopathy is negatively associated with the social behavior of firms and organizational commitment (Boddy et al. 2010), with there being a relationship between sub-clinical psychopathy and the type of aggression shown (Falkenbach et al. 2008). Sub-clinical psychopaths are abusive and violent during the relationship (Williams et al. 2005), and there is also a relationship between psychopathy in the workplace and unethical decision-making processes (Stevens et al. 2012).

Subsequently, it may not be wrong to say that among all the traits of the dark tetrad of personality sub-clinical psychopathy is one of the most dangerous. Individuals with this trait show almost identical behavior to their clinically psychopathic counterparts. What keeps them away from jail or clinical institutions is the degree and frequency of their behavior; therefore they can have a social life. It is difficult for organizations because psychopaths are not easily detected within contemporary organizational structures. It is sometimes even more difficult for experienced recruiters or psychotherapists. Psychopaths may successfully utilize their personality characteristics, which unintentionally and mistakenly can be perceived as good leadership qualities, in order to gain advantage and climb the corporate ladder faster than normal individuals. Therefore there are potentially more sub-clinical psychopaths in leadership positions than in societies or organizations as a whole. This situation may easily lead to failure in the long run for both organizations and followers.

### EVERYDAY SADISM

Everyday sadism has only recently been added to the dark triad of personality construct. As it is a relatively new addition, there is relatively little and limited research into the subject. However, since the concept has been added there has been a greater focus on various impacts of everyday sadism in the workplace. One of the central features of this concept is enjoyment of cruelty. The other feature is callousness: this is the only feature that is common to all aspects of the dark tetrad of personality traits (Paulhus 2014). For ordinary individuals hurting or seeing another hurt can be an appalling experience; for sadists, however, it can be a good and enjoyable experience: gaining pleasure and enjoyment from the suffering of others is normal for such people.

There are two general forms of sadism, sexual and non-sexual. Both forms can occur either in a clinical or non-clinical form (Meera and Egan

2017). Everyday sadism is a non-clinical form (Buckels et al. 2013). The difference between everyday sadism and the clinical form of sadism is that in everyday sadism individuals do not harm others in order to experience and enjoy cruelty but rather to feel pleasure (Porter et al. 2014).

People who are high on the sadistic personality disorder spectrum are considered to be inclined to violence. Even though the dark tetrad of personality traits causes increased aggression, and psychopaths are those who commit cold-blooded and most violent actions, sadistic individuals have the highest level of unprovoked aggression. They are those who can even assault innocent individuals (Reidy et al. 2011). In the same vein, sadistic individuals can be quite good at social control and punishment, and they can employ cruelty for these purposes (Nell 2006).

Inflicting pain on people is truly an enjoyable experience for people in whom this trait is apparent. If they are threatened, sadists may become aggressive and engage in antisocial punishment practices. This is because they have the need for dominance and also need to harm others. Existential threats may easily trigger their sadistic feelings; this would be quite an enjoyable experience for them. When the personal cost is low for them, sadistic individuals are more likely to hurt innocent people (Pfattheicher and Schindler 2015). Effective aggression prevention is not the responsibility of victims; it should begin with the perpetrators (Nell 2006).

Similarly to the rest of the dark tetrad of personality traits, sadism has many negative impacts on both organizations and individuals, although in some instances it may offer some advantages. However, unlike the others everyday sadism has only been researched to a limited degree, owing to its recent acknowledgement as part of the concept. Therefore, further research should be conducted into this trait in order to increase our knowledge of it. In particular, everyday sadism's impact on leadership needs to be further understood. Leaders who have a strong desire to inflict pain on others would find it difficult to manage followers. Clearly, it would not be easy to manage an organization without support from its employees.

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## CHAPTER 4

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# Ethical Leadership

## INTRODUCTION

In the first chapters I have introduced the concepts of the dark side of leadership and the dark side of personality. In this chapter, I will focus on ethical leadership and moral behavior among leaders. Although modern organizations demand leaders to implement and follow strong ethical practices, sometimes this is not realized. It is a fact that leadership that is not ethically conducted might be a dangerous endeavor. This is partly because engaging in such practices is difficult, despite the probability that leaders can have a very strong impact on the ethical behaviors of their followers. Therefore, my main aim in this chapter is to show that leaders should be ethical and moral within their organizations as they are one of the main influencers of their followers' behavior.

Furthermore, the concept of ethical leadership is a valuable construct that helps us to understand how leaders should behave or should be expected to behave by society. Perhaps it is beneficial to discuss ethical leadership alongside the dark side of leadership. These two constructs are at the opposite ends of the spectrum. Many within the professional business world assume that ethical leadership means leaders having a good character. It is true that this is important, but ethical leadership is far more complex than this (Freeman et al. 2009).

## WHAT ARE ETHICS AND MORALITY?

Considering the ethical business scandals that have occurred in almost every type of organization across the globe since the 2000s, ethics and morality have become more important than ever. Ethics can usually be used interchangeably with the word morals, which I will also do here. According to the online Cambridge Dictionary, ethics is “a system of accepted beliefs that control behavior, especially such a system based on morals” and morals are “relating to the standards of good or bad behavior, fairness, honesty etc. that each person believes in, rather than to law.” Scholars also define morality as “interlocking sets of values, practices, institutions, and evolved psychological mechanisms that work together to suppress or regulate selfishness and make social life possible” (Haidt 2008, p. 70).

Modern moral principles are based on a diverse and influential body of work from philosophers that began with Aristotle’s emphasis on habit and continued all the way to Kant’s categorical imperative and J. S. Mill’s ideas about liberty and utility (Haidt 2008). All these arguments make up our modern understanding and interpretation of morality. However, societies sometimes lose or gain moral principles; therefore the concept is not static, and principles cannot be the same across the generations. Nonetheless, a change in moral principles usually happens slowly—much like developments in culture. This is particularly valid when moral principles are established and institutionalized. It is difficult to change moral principles, and it would be accurate to say that they evolve through time. For example, in recent years many new and demanding organizational ethical norms have been added to business ethics, such as those relating to bribery (Weber and Getz 2004) and to human resources, such as diversity (Muchlinski 2012).

It may not be correct to split ethics into individual and public, as ethics is about the relationships between individuals and individuals make up the public (Ciulla 2005). In fact, individual ethics are generally judged against accepted ethical norms and individual behaviors that occur in a larger social framework (Treviño et al. 2006). However, it may be necessary to identify universal moral values (Schwartz 2005), as we need to live in a moral order (Haidt 2008). There can be no moral norms that do not rely upon a shared ethos (Benhabib 1992). Behind this sentiment there is the implication that the moral code can and should protect social order. However, it may be oppressive in practice (Diprose 1994).

Yet despite this, there is no generally accepted body of moral knowledge and there is no consensus about the direction that people should take with regard to moral norms. Added to this dilemma there is also the problem of subjectivity. Which moral norms are right or wrong? Why should we apply one moral norm rather than another? Perhaps the answer to this is that morality is not rational. If we assume this is right for Anglo-Saxon societies, where individualism is observed, what about collectivist societies? If subjectivism is the rule, then what is right for him may not be held to be right for her (Smith 2017).

There are various answers to these dilemmas from different philosophical perspectives. Aristotelians, Kantians, Utilitarians and Contractarians would all have different views. Nonetheless, it may be argued that modern capitalist societies suffer from a loss of morality because of their engagement in excessive individualism and libertarianism. Neither changes in technology nor societal modernization is the chief cause of this; political liberalism and moral liberalism appear to be responsible (Benhabib 1992). Therefore, it makes sense to discuss the concept of business ethics in a separate section.

## BUSINESS ETHICS

Many organizations across the globe have experienced business ethics scandals, and their commitment to unethical acts has been noted by society at large. Societies across the globe are demanding ethical and moral behavior from businesses and management (Crane and Matten 2016). In recent years unethical behavior has been observed in organizations in almost all sectors. Whether organizations should have a moral status or not is arguably no longer debatable. However, it is difficult for organizations to be ethical, and it requires a constant struggle for them to remain so (Kaptein 2017). In order to achieve this, which is as difficult as becoming ethical in the first place, organizations need to manage employees' behavior so that they can reduce their unethical and immoral conduct. Yet despite this, the majority of employees in the UK think the main priority of top-level staff is financial gain (Groom 2011).

Nonetheless, there is pressure on and temptation for individuals to be unethical, and this makes them susceptible to such conduct. When stakeholders realize their expectations cannot be fully met owing to ethical dilemmas, they may exert more pressure on organizations to meet their demands. It is also common to see that stakeholders have different

expectations, all of which they expect to be satisfied by corporations (Kaptein 2017). Not only that, but organizations usually operate under difficult conditions and intense competition, where the scarcity of resources is evident. Consequently, such circumstances leave them prone to performance-increasing acts even if they are immoral and/or unethical (González-Benito and González-Benito 2010). In fact, some organizations engage with business ethics because it makes business sense to do so (Vogel 2008). For this reason organizations have ethical challenges, and the importance of ethical behavior has never been more apparent to organizations.

Despite this, some scholars argue that separating ethics into different components such as business ethics creates an artificial distinction between business and the rest of life (Drucker 1981). It is argued that organizations are not a unitary and insulated domain, where certain ethical rules and standards apply. Therefore, ethics guides individual behavior but is not something organizations have specifically. Nevertheless, considering increasing pressure from governments, shareholders and societies, tackling immoral and unethical behavior has become a priority for organizations. Furthermore, we are in an era of rampant corporate greed, scandal and mistrust (Pullen and Rhodes 2015). Therefore, scholars are focusing more on the topic and there has been a growing body of work in the last twenty years; this has produced research that is informative and useful. Perhaps understanding the term business ethics from the very beginning is more helpful.

Duska (2000, p. 111) discusses the fact that some people think business ethics is an oxymoron. He addresses this sentiment: “without ethics, business cannot function, since it requires a great deal of trust and integrity.” It is a prerequisite for business to be ethical, as not keeping promises and being deceptive means there cannot be trust, and without mutual trust markets cannot operate. Furthermore, if there is coercion it is incompatible with the free market, as such markets require the free will to choose. In fact, a strategy approach to business indicates that having good ethics is good business. In most cases being moral in business supports productivity and profit. There are even rules, norms and codes of conduct within organized crime. In addition, just because there are some unethical scandals, this does not mean there are no underlying values and norms upon which decisions are based. Even bad ethical decisions can be based on ethical values of some sort (Crane and Matten 2016). Therefore, it is wrong to say that business ethics are redundant.

Diprose (1994, v) defines ethics as follows: “Ethics, as a branch of Anglophone philosophy, has tended to focus on the nature of moral judgment (to secure its rational basis) or on the nature of the moral principles which do or should govern social relations (to secure their universal status) behind this inquiry lies the conviction that a moral code can and should maintain our social order, protecting it against transgression and disintegration.” Pullen and Rhodes (2015) discuss this quote, and state that the same sentiment can be expressed for ethics in business and organizations. Crane and Matten (2016, p. 5) also identify business ethics as the “study of business situations, activities and, decisions where issues of right and wrong are addressed.” In this context, being right or wrong means morally, not financially or commercially.

The supporter of business ethics advocates creating a moral code and framework for ethical behavior, but morality alone may not be adequate for this purpose (Benhabib 1992). Furthermore, there is also some overlapping between business ethics and law. In fact, it has been indicated that laws and business ethics are very close, covering slightly different but strongly related areas. Business ethics begins where there is no legal coverage or a pre-existing consensus on what is right or wrong. Subsequently, discussion about business ethics eventually evolves into legal legislation when a consensus is reached. Nonetheless, law does not provide a framework for business ethics (Crane and Matten 2016).

The concept of ethics is currently divided into two main components; normative ethics and descriptive ethics. The first relates to moral philosophy and theology and tells individuals how they should behave. The second relates to business and management and focuses on predicting and explaining individuals’ behaviors (O’Fallon and Butterfield 2005). Most of the studies in business ethics are built on Rest’s (1986) original framework. This model proposes four steps during the ethical decision-making process. These are identifying the moral nature of an issue, making a moral judgment, establishing moral intent and engaging in moral action. There are studies which indicate the factors that influence this aforementioned framework, such as code of ethics (Treviño et al. 1998) and cognitive moral development (Cohen et al. 2001), and they usually support its usefulness (O’Fallon and Butterfield 2005).

One of the problems of the framework is that it is difficult to measure the quality of ethics. For example, which moral standards should our standards be based on? Are there any better moral values than the ones we commonly practice? (Sinclair 1993). However, despite this, organizations

use all sorts of metrics and tools to indicate to the public their ethical standards and to receive validation for them (Pullen and Rhodes 2015). They are not only following good ethical standards but are also showing them off to society and arguably seeking a good public image (Fleming et al. 2013).

In the same vein, implementing business ethical standards across an organization is another challenge. Organizations build ethical standards around core values, and those ethical standards are implemented in order to create a unified corporate culture (Sinclair 1993). This process can take place through the implementation of ethics policies as part of organizations' core values. The creation of strong corporate culture depends on the acceptance of norms and ethical values by the members. The more of them who accept these values, the stronger the culture will be. Thus, strong organizational culture has a major impact on ethical decisions. In fact, a strong organizational culture can manage employees' behavior, attitudes and even feelings. Individuals' ethical and moral conduct can be influenced immensely.

Furthermore, there is an increasing pressure from society as a whole on organizations to engage with business ethics. There is some formal and informal encouragement from governments as well, concerning the implementation of ethical and compliance guidelines (Medeiros et al. 2017). Ethical principles are learnt through a process and this can influence individuals (Sinclair 1993). Subsequently, many businesses have implemented ethical training for their ethics program. In addition, organizations have also informed their employees about their ethics policies, releasing a code of conduct and encouraging employees to review their ethics handbook. Perhaps the recognition of a cognitive moral theory is necessary for this purpose. This puts forward the view that managers' ethical behavior and morality can improve through experience and maturity, and that ethical training can play an important and positive role in this. Research shows that such training positively influences ethical behavior in the workplace (Weber 2007).

Perhaps above all, leadership is one of the strongest influencers of business ethics within organizations; in fact, it should be a key source for employees' ethical problems (Brown et al. 2005). Leaders are one of the main reference points when it comes to employees' ethical dilemmas: their actions become an example for employees to follow. Leaders' ethical or unethical behavior is considered as a guideline particularly when there is no official framework or when the situation is difficult. However, as

discussed in previous chapters, leaders do not make moral decisions all the time; they may express such behavior as harassment, lying and excessive aggression (Mathieu et al. 2014). This aside, there are lots of other factors that pressure leaders towards the dark side, such as stakeholders' expectation and intense competition. Even leaders' personalities could be tending towards the dark side. These circumstances may create ethical dilemmas for leaders and could be problematic for organizations. Considering the high expectations from society and the government, organizations are expected to be ethical in business practices. Hence, they often turn to leaders within businesses and expect them to lead their employees towards more ethical and moral conduct. Perhaps, more importantly, they are expected to create an exemplary framework for individuals, so that whenever they face an ethical dilemma they can follow in their leaders' footsteps. Therefore, the term ethical leadership within a larger framework of business ethics is an important topic.

### THE CONCEPT OF ETHICAL LEADERSHIP

Ethical leadership is one of the newer and more positive leadership theories; the others that emphasize ethics and morality are authentic and servant leadership (Hoch et al. 2018). The term ethical leadership can be described as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making” (Brown et al 2005, p. 120). This concept is extremely popular because of the different perspectives it provides for scholars' in business ethic and leadership theories. A Google Scholar search for research from 1982 to 2000 has about 997 results versus 19,000 results for 2000–2018. This shows how much more attention has been placed on the concept.

The identification of this concept separates ethical leadership from other leadership theories which have a strong emphasis on positive moral behavior. Ethical leadership has a sole focus on morality. Even though other leadership theories are influenced by ethics, such as transformational leadership which has an ethical component, morality is the core concept of ethical leadership. According to the theory, it is expected that ethical leaders should reward the ethical behavior of employees and punish unethical behavior (Mayer et al. 2012). The theory includes ethics as a core



dimension of leadership rather than an ancillary dimension. Furthermore, it includes the traits and behavior of leaders (Hoch et al. 2018).

Another way in which ethical leadership differs from other leadership theories is that it does not only focus on personality traits, but also draws on Bandura's (1977) social learning theory (Mayer et al. 2009). This indicates that leaders influence their followers through a social learning and exchange process. Individuals learn and model the attractive traits of others and tend to imitate them. During the process, the communication of moral cues plays a critical role in conveying leaders' messages to their followers. It is even suggested that as morality is a central issue, this type of leadership is most influential on followers who are sensitive to moral cues (van Gills et al. 2015). Furthermore, leaders should have legitimacy, and be credible and attractive in the eyes of others in order to be imitated and followed. Owing to their caring nature, ethical leaders can build relationships with their followers through social exchange and norms of reciprocity (Treviño et al. 2006).

Most individuals look outside to observe and choose the individuals who will pay due regard to ethical guidelines (Trevino 1986). Hence, in order to be followed by their employees, leaders should be credible individuals. Ethical leaders can be good ethical role models: because of their credibility and attraction, they receive more attention from employees (Brown and Treviño 2006). In this context, at all levels leaders play a critical role in creating and preserving ethical cultures and ethical conduct (Avey et al. 2011). There are two sides to the argument about who has the strongest influence on employees. The first indicates that top management, owing to their conveying of ethical messages and inspiring of employees to follow the desired conduct, is the strongest ethical role model (Weaver et al. 2005). However, the second argument claims in opposition to this that owing to management's distance from most of the employees and a lack of intimate communication, supervisors are the most influential ethical role models for employees (Davis and Rothstein 2006).

This is a crucial point and should be taken into consideration, as prior studies show that ethical leadership directly influences an organization's activities. In fact, positive ethical leadership is necessary for the effectiveness and success of organizations, but only if leadership has an ethical frame (Demirtaş 2015). Ethical leadership is also important in creating efficient work conditions and organizational culture. Moreover, at all levels within an organization managers play a crucial role in shaping and creating an ethical consensus (Demirtaş and Akdoğan 2015). In the relevant

literature, researchers have linked ethical leadership to various organizational activities. For example, studies have found that there is a relationship between ethical leadership and employees' job performance (Zhu et al. 2015), ethical climate, justice climate, peer justice (Walumbwa et al. 2017), corporate social responsibility activities (Wu et al. 2015), trust in supervisor (Chughtai et al. 2015), follower performance (Piccolo et al. 2010), organizational citizenship behavior, employee performance (Walumbwa et al. 2011) and self-efficacy (Bandura 1999). Ethical leadership also prevents organizational deviance (Van Gils et al. 2015), reduces employee misconduct (Mayer et al. 2010) and discourages unethical behavior (Mayer et al. 2012). Therefore, it can be clearly seen that research finds a relationship between ethical leadership and an impact at individual and organizational level; but what are the principles of ethical leadership and how do they affect the decision-making process?

### PRINCIPLES OF ETHICAL LEADERSHIP

In ethical leadership, leaders emphasize fair treatment and shared values (Brown and Treviño 2006). It can be seen that ethical leaders are honest and trustworthy, and in fact they are one of the most important points of reference for ethical leadership. Such leaders are also fair decision-makers who care about others (Mayer et al. 2012). In addition, ethical leadership principles are described by scholars with phrases such as moral behavior, consistency, wholeness and courage in integrity (Avey et al. 2011). Brown, Treviño and Harrison (2005) identify three fundamental building blocks for ethical leadership: treating an employee ethically, being an ethical example and actively managing morality. The first two of these consider the moral personal component of ethical leadership which leaders should have to be desirable. The third covers the moral manager component, which encourages normative behaviors and discourages immoral conduct by using transactional efforts, such as enforcing moral behavior (Mayer et al. 2012). Without relying on good character and the right values it would be very difficult to analyze ethical leadership (Freeman et al. 2009).

Ethical leaders have the responsibility of enforcement. They identify ethical conduct and ensure employees follow it. They not only use formal power but also work with informal means. They communicate often with employees and reward or punish them according to an identified ethical framework (Mayer et al. 2010). The communication conducted by ethical leaders goes two ways, in that they not only expect others to listen to them but also value employees' opinions and thoughts (Mayer et al. 2012). By

clearly understanding the ethical framework, employees are sure about what is right and what is wrong, and they are aware of the expected attitudes towards ethical dilemmas. In addition, such leaders create an example for their employees through appropriate conduct and behavior. They also help individuals to understand the ethical framework within the organization.

Some studies have found a relationship between ethical leadership and personality traits. Brown and Treviño (2006) propose that conscientiousness, neuroticism and agreeableness are the antecedent of ethical leadership, although neuroticism's impact is negative (Walumbwa and Schaubroeck 2009). Kalshoven et al. (2011) find otherwise, arguing that neuroticism, openness to experience, extraversion and agreeableness are not related to ethical leadership; only the trait of conscientiousness has a positive relationship with ethical leadership.

There is also an argument about ethical decision-making process. Ethical decisions are the outcome of the relationship between individuals and organizational level factors. The individual ethical decision-making process is shaped by the interaction between individual factors such as locus of control and circumstances such as organizational culture (Lehnert et al. 2015). The ethical decision-making process should be based on a conscious understanding of moral principles and their implications (DeCelles et al. 2012). Without understanding of the moral implication the process cannot be called ethical. In fact, one of the reasons for the failure to attempt moral decision-making is that people are not expressing the moral requirements of the group they belong to (Hoyt and Price 2015).

This argument and the concept of ethical leadership lead us to another important topic, the ethical decision-making process. In order to have a more comprehensive view, and to observe the relationship between ethical leadership and ethical organizations, it would be beneficial to discuss the ethical decision-making process and its relationship with the ethical leadership concept. This is necessary because ethical arguments eventually lead to ethical dilemmas and consequently to a discussion surrounding how we take ethical decisions. Do we make decisions in a consensus? Do leaders—the most powerful individuals within an organization—influence the process unduly? Who are the most powerful decision-makers? Perhaps looking at this from an institutional perspective will provide a better understanding.

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PART II

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Institutions, Leadership and Ethics





## CHAPTER 5

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# Institutional Frameworks

### INTRODUCTION

In this, the second part of the book, I will show the impact of institutions, both formal and informal, on leadership. My argument is that institutional pressures can either compel a leader to be ethical/moral or provide legitimacy for their immoral/unethical behaviors so that they will be much less questioned by other people. First, I discuss institutions from various aspects, based largely on North's (1990) institutional definition of formal and informal institutions. For example, a code of conduct might create a formal institutional framework that limits leaders' behavior. On the other hand, in some cultures the creation of an institutional framework prevents leaders' behavior from being called into question, thus providing legitimacy for leaders' actions. In this way, the frameworks can establish either a limit to or approval of leaders' actions in a negative or positive way. However, in order to widen the discussion, Scott's (1995) three pillars of institutions and DiMaggio and Powell's (1983) works are examined. In the final chapter, I follow a holistic approach and discuss the possible impacts and effects of institutions on leadership behaviors and subsequently the dark side of leadership.

The institutional theory is one of the most popular theories for understanding organizational realities (Greenwood et al. 2008). It is one of the theory's arguments that among the strongest influences on human interaction within a social construct is the institutional framework. Scott (2005, p. 461) states that the "institutional theory attends to the deeper and

more resilient aspects of social structure. It considers the processes by which structures, including schemas; rules, norms, and routines, become established as authoritative guidelines for social behavior.”

According to new institutional economists the institutional framework has two components, formal and informal. Formal institutions shape human behavior through rules, regulations and laws, while the informal institutional framework comprehends anything unwritten that shapes human transactions and consequently behavior (North 1990). Institutional theory focuses on the social and cultural elements of organizations rather than structures and tasks (Ashworth et al. 2007).

The theory has been explored in different fields, but the initial work of Selznick (1957) is accepted as the starting point. However, in truth the theory’s roots can be found as far back as German Idealism, and its philosophical foundation can be found in “Hegelian assumptions that reject the notion that human experience (culture and society) are epiphenomena that can be reduced to economic rationality” (Suddaby 2015, p. 93). Some of the founding ideas can be traced back to Weber and Marx (Scott 2005). The establishment and foundations of the new institutional theory can be found in Meyer and Rowen (1977), Zucker (1977) and DiMaggio and Powell’s (1983) studies. Their influence and impact on modern organizational scholars are still vivid and strong (Greenwood et al. 2008).

Institutional theory is implemented in three main fields: political sciences, economy and organizational studies. The theory has also evolved. For example, in organizational studies a new institutional theory has emerged. Perhaps the main difference between new and old institutional theory is that the new version focuses more on the cognitive aspects of institutions. Institutional theory has many different branches. It is rich in its arguments and discussions, and provides explanations for everything from basic human interactions to complex environmental context. It helps scholars understand the effect of various limitations and how these are utilized by many different parties. The theory focuses on the process of change rather than stability, and shows that rational actors play a critical role. However, the question of who can change an institutional framework depends on how rational actors are; this is one of the main problems of institutional theory. In addition, the theory has received considerable criticism, it being claimed that it is relating to a complex environment with many institutional demands, and therefore does not provide consistent findings.

My main aim in this chapter is to investigate how institutions that are established by an organization's members shape leadership behavior. In some contexts, the dark side of leadership can be deemed appropriate, with the institutional framework providing legitimacy for the leaders. To support this argument, North's (1990), DiMaggio and Powell's (1983) and Scott's (1995) approaches will be utilized. This will help readers to understand the underlying mechanisms that interact and influence leaders' behavior. It should be noted that institutional theory literature is very rich and it has many different branches. In this and the next chapter the argument will be holistic, based on North's (1990) formal and informal institutional frameworks, Scott's (1995) three pillars of institutions and DiMaggio and Powell's (1983) organizational isomorphism. However, it should be noted that the institutional theory literature is vast and very rich, to the extent that it is sometimes difficult to create, extract and identify issues related to the theory. Nonetheless, scholars have contributed a huge amount, and despite the challenges that still exist it is much easier than previously to create an argument based on this theory. A full literature review is not appropriate here; instead, only the works that are most closely related to my argument will be selected.

### WHAT ARE INSTITUTIONS?

Institutions are defined by North (1994, p. 360): "Institutions are the humanly devised constraints that structure human interaction. They are made up of formal constraints (e.g. rules, laws, constitutions), informal constraints (e.g. norms of behaviors, conventions, self-imposed codes of conduct), and their enforcement characteristic. Together they define the incentive structure of societies and specifically economies". Further, he describes them as "the rule of the game." They have a pervasive influence on firms' actions. They are carefully structured so that they provide secure economic exchange. Institutions are also defined by new institutional theorists as "(a) a rule-like social fact quality of an organized pattern of action (exterior), and (b) an embedding in formal structures, such as formal aspects of organizations that are not tied to particular actors or situations (non-personal/objective)" (Zucker 1977, p. 728).

Institutions are not simply an accumulation of human beings' actions. They are structures that regulate individuals' behavior within a social construct. Institutions are defined by the role they play in establishing conventions or social norms in a mandated way (Argandoña 2004). From an economic perspective institutions play two main roles. They provide competition among firms, as fair as possible, and reduce transaction costs (Soysa and Jutting 2007). Accordingly, new institutional economics focuses on these costs. From another perspective, organizational scientists discuss how norms, traditions, conventions and values are established and guide social behavior. In fact, one of the most important roles that institutions play within the organizational structure is to create a framework. By doing so, they limit and if necessary shape individuals' behavior. However, if individuals behave and act against the established frameworks then there is very strong enforcement.

North (1990) identifies two main types of institutions, or what he describes as institutional frameworks: formal and informal institutional frameworks. The first of these is created by the one who has power and is able to establish it. Formal frameworks can come in the form of a legal framework, with laws and other systems being established to limit and shape both organizations and individuals within the organizations. In contrast to this, informal frameworks are not created by individuals but by groups of people. The enforcement powers of formal and informal institutional frameworks are quite different in nature. The former relies on authority and written rules, whereas there are no formal enforcement powers in the latter. An informal institutional framework places its trust in a consensus among members, and if enforcement is necessary then informal means are implemented, such as exclusion from the group.

### INSTITUTIONALIZATION AND ORGANIZATIONAL ISOMORPHISM

In a contemporary business context, organizational structures arise in a highly institutionalized environment. Social order within an organizational structure is based on social reality, which becomes a human framework created by social interaction (Scott 1987). Organizations should adapt, create a structure and produce products and services in a way that they perceive as rational. In this context organizations are pressurized to embed new procedure and practices in their internal structure. This means new organizations follow and imitate existing ones. Through this process

organizations create procedure, products and programs, which they eventually institutionalize. This aligns with Selznick's (1957) ideas, where he discusses institutionalization as a process in which something occurs step by step through time. Once this happens institutionalized practices such as process, structure and more importantly norms, values and traditions become powerful myths which are embedded into an organization. However, confirming these institutionalization pressures in a business context may conflict with efficiency criteria (Meyer and Rowen 1977). Therefore, this process does not necessarily provide a superior performance or better performing individuals.

Organizational isomorphism discusses the fact that in certain circumstances external and internal forces enforce pressure on organizations; consequently the organizations respond to this, and therefore become similar in their structure and process but more importantly in their organizational culture. By doing so, they receive legitimacy (Ashworth et al. 2007). This process is led by legitimate elements such as professional organizations or governing bodies. This is a necessary process for organizations as it increases the likelihood of their survival. In order to be institutionalized, an act should be taken for granted by the members and then understood as external and objective (Zucker 1987). This process can be observed in any organizational field, and it can help organizations to adapt and consequently increase their survivability (DiMaggio and Powell 1983). In order to survive, therefore, organizations adapt internal elements because of the pressures created by various stakeholders (Ashworth et al. 2007). To be institutionalized, things should be accepted within the social construct as a process and then should be taken for granted (Greenwood et al. 2008).

If the organization field is more mature, then the established norms and values are stronger. This is because it takes time for members to accept change (Ashworth et al. 2007). In some instances, certain organizational characteristics may have more of an impact than others. In fact, the influence of isomorphic elements on an organization's strategy and culture is stronger than on the rest of the organization, and this is felt across the different organizational departments (McNulty and Ferlie 2004). The isomorphic process continues through time and does not stop until the whole population is homogenized. This needs to happen because organizations require conformity and legitimacy in order to create a secure environment (Heugens and Lander 2009).

There are three different types of organizational isomorphism: coercive, mimetic and normative. Coercive pressures happen as a result of external and internal pressures. Seeking legitimacy and political pressures are the main sources of this (DiMaggio and Powell 1983). Political pressure consists of new regulations, rules and incentives. Organizational coercive pressure works on reward and punishment relations. The organization expects certain behaviors from employees: in return rewards are offered, or conversely punishment if the behaviors are not followed. This might lead to severe formal punishment, so if employees persist in their actions they may lose their jobs (Kondra and Hurst 2009). Nonetheless, the relationship between reward and punishment should be clearly understood. During this process employees are expected to accept the expected behavior as being taken for granted, and there should be a move from coercive means to normative understanding.

Unlike coercive means, mimetic pressures stem from unclear organizational goals and environmental uncertainties. If organizations come across uncertain market conditions, they look more closely at other firms in the same field and imitate them, adapting their different organizational practices (Ashworth et al. 2007). Less developed and developing countries have a rather uncertain market environment, so this type of isomorphism can be seen more often in these countries than in those that are more developed (Kondra and Hurst 2009). This process is particularly helpful if the business context is complicated and the firm has no or relatively little experience in a particular market. In such circumstances firms that are struggling may start to imitate firms that are well established and successful.

Normative pressures are slightly different. They stem from the organizational field and professionalism, with professional education and formal training being the main factors contributing to normative isomorphism. Universities and formal training centers produce professionals who may have similar opinions on norms and values, and these may be embedded into an organization (DiMaggio and Powell 1983). This process begins with implementing standardization, which eventually becomes normal practice through the socialization of individuals. Normative isomorphism changes an individual's way of thinking in such a way that after a while employees perceive dilemmas in terms of the guidelines of a strict normative framework. By doing so, environmental uncertainty is reduced as individuals have similar norms, values and taken-for-granted assumptions (Kondra and Hurst 2009).

### THREE PILLARS OF INSTITUTIONS

Scott (1995) identifies three main types of institution, normative, regulative, and cognitive, and their impact both on organizations and individuals within the organizational framework. His contribution to the new institutional theory is widely recognized as important and timely, and has become one of its main arguments. The theory has grown exponentially and consequently, being dispersed widely. It has contributed immensely to answering the question about what institutions really are. One of the main outcomes of Scott's three pillars has been the separation of institutions into two different thematic areas. The first of these indicates that institutions are cultural models and the other that they are regulatory frameworks. However, these two areas have become increasingly disconnected (Greenwood et al. 2008). It is important to note which one of the three pillars is the most influential, and in what settings.

The three institutional pillars provide legitimacy for firms' actions (Scott 1995). Organizations respond to and obey the organizational pressures created by various institutions (Peng 2003). Modern organizations should act rationally; in fact, they are built on rationality. Over time this becomes normative and provides firms with their legitimacy. This is not for internal processes but is necessary for approval by stakeholders and external parties (Scott 2005). This point is important, as almost all recent ethical scandals that stem from dark leadership practices have created huge pressures on organizations from stakeholders.

Scott (1995) proposed three institutional pillars, namely, normative, regulatory and cultural cognitive. Regulatory pillars consist of the rule of laws, regulations created by the government. Compliance is a necessity. The government behaves as a rational actor, forcing organizations to comply with the rules that are established. In return, organizations seek compliance and thus achieve legitimacy. Regulatory pillars enforce the rules on organizations and individuals within the organization. The environment created by these regulatory pillars tries to influence individual behaviors through reward and punishment.

Normative pillars are described by some scholars as being what the institutional framework actually rests on. There are two important factors, norms and values. The first of these creates a correct course of action for individuals. Norms are perceived as a rational path of action and are associated with predetermined goals and objectives. Following them becomes logical and desirable for individuals. On the other hand, values are perceived as desirable and preferable, perhaps complying with values that

are enforced slightly less rigorously. Generalizing norms and values cannot always happen as some of them apply to an entire group of employees and some only to particular actors. Besides, the enforcement characteristics of normative pillars are different from the regulatory. They induce strong feelings. Contradicting established values and norms may cause shame, and compliance may be a reason for pride (Scott 2007).

The last pillar is called the cognitive–cultural pillar, and it is based on culture. It consists of beliefs and values. Its main tenet is the relationship between the external world and individuals and how individuals respond to the external world. There is a continuous stream of communication between the external world and individuals, and during this process signs, gestures and words are exchanged. This process is understood through the actor’s subjective stance as well as objective conditions. The cognitive process is considered when attention is required, and is particularly helpful in encoding and interpreting information received. For cognitive–cultural pillars, it is particularly critical that individuals follow the routines that are expected by society and then internalize these routines, taking them for granted (Scott 2007).

## FORMAL AND INFORMAL INSTITUTIONAL FRAMEWORKS

In his famous study North (1990) defines two different types of institutions, with formal and informal institutional frameworks. Despite the fact that he married transactional costs and behavioral theory, his argument has been widely accepted by organizational scientists. His description of institutional frameworks is very useful, and helps scholars identify how these frameworks limit and shape both organizational and individual actions. One of the main ways of understanding how to define formal and informal institutional frameworks is to describe who created them and their enforcement characteristics. Individuals who are able to do this create a formal institutional framework. On the other hand, a group of individuals creates an informal institutional framework. The latter’s power to punish is soft rather than hard, and consequently its impacts on people are different.

### *Formal Institutional Framework*

Two of the most important distinctions between formal and informal institutional frameworks are how they are created and how they are enforced. Formal institutions arise and are created because of the needs for



reducing transaction costs, which provides a more competitive market. Key to this is the cost of information, because of the complexity of the environment and the limitations of human beings (North 1990). Formal institutional frameworks can be created and enforced by those who have power to do so, such as governments. Their strengths lie in enforcement power, and they consist of rules of law, property rights, a tax system and all the other systems that are created to manage organizations and individuals' actions. In fact, formal institutional frameworks limit individuals' behavior, and if positively created can facilitate an exchange between people (Fuentelsaz et al. 2015). They can take shape in any form, and the only things they need to be called formal institutional frameworks are creation by powerholders and the ability to become rules. Unlike informal institutional frameworks, they are created by the conscious action of powerholders (Argandoña 2004). It is relatively easy to identify whether an institutional framework is formal or informal (De Clercq et al. 2012).

In the economic system, formal institutions represent government base limitations whereas informal institutions have private constraints (Williamson 2009). They evolve and change over time in terms of characteristics and influence. However, this process happens slowly (Peng and Zhou 2005). Formal institutional frameworks are crucial for economic development. If such a framework is relatively weak then businesses should increasingly create informal means. Nonetheless, even a strong formal institutional framework should be supported and accepted by informal institutional frameworks. Therefore, in order to create healthy economic activity and good economic exchange the frameworks should complement each other. If this can be achieved, then the established institutional framework can create ideal conditions (Williamson 2009).

### *Informal Institutional Framework*

An informal institutional framework is the voluntarily accepted by or the consensus of a group of people. It can be seen within society at different levels, from a national level to an organizational level. Informal institutions consist of norms, traditions, values, conventions and anything that is not written down by someone who is a powerholder. It is related to culture at all levels. However, informal institutional frameworks are somehow more comprehensive than culture itself (North 1990). They can be created by the unconscious action of individuals (Williamson 2009). The source of such a framework includes norms, convention,

values and traditions as well as taken-for-granted assumptions. Religion is also a very significant contributor, in fact one of the most influential (La Porta et al. 1999; Kurtulmuş and Warner 2016).

A new participant can learn about an informal institutional framework from existing members in an organizational context. This process happens through conscious or unconscious actions, such as imitation, gestures or oral communication (Tonoyan et al. 2010). It is difficult to identify what constitutes an informal institutional framework, because there are differences between regions, or even within a country or among different organizations (Meyer and Nguyen 2005). They evolve slowly through time, but external pressures may spark movements between the agents within the institutional framework, provoking discussion of the taken-for-granted character of the existing system (Ayyagari et al. 2006). However, changes to existing informal institutional frameworks depend on individuals changing their existing beliefs, values and norms within a consensus. This process first changes individuals' behavior, this then spreading throughout a society/organization, finally causing the evolution of the existing informal institutional framework (Williams 2007).

Informal institutional frameworks influence individuals through regulatory and normative actions. By doing so, they change and shape employees' psychological reactions. In such circumstances, informal institutions provide a regulatory and normative framework for individuals within an organizational structure. As part of the process, external forces pressurize individuals and norms of behavior are voluntarily accepted through repetition of the same or similar actions. The importance of formal and informal institutional frameworks becomes more apparent when there are benefits for individuals to create new groups, as during this process frameworks may be helpful (Williams 2007). An informal institutional framework is stronger than a formal institutional framework; in fact, it is true to say that most of our actions are controlled and limited by our beliefs, values, norms, codes of conduct and conventions. Furthermore, formal institutional limitations can have a range of impacts on different informal institutional frameworks. This is because informal institutional frameworks are deeply embedded in existing social relations and formal institutions (North 1990).

If the formal institutional framework is not strong there will be a void, and this will then be filled by an informal institutional framework. Therefore, if there is a lack of law or regulation at either national or organizational level, it will be filled with an informal institutional framework.

The question remains. Does institutional framework matter? In the light of the above argument it is easy to say that it does. Institutional theory is one of the most influential in helping us to understand organizational realities. Institutions have a pervasive impact on both organizations and individuals. No matter whether we explore the subject from the perspective of new institutional theories (three pillars, organizational isomorphism) or new institutional economics (formal and informal institutional frameworks) the argument is still clear, and has its strengths. Perhaps the right question to ask is to what degree institutions affect, limit and shape dark leaders' actions and behaviors. There is a context in which to answer this question. and in particular discussing organization–leaders and followers–leaders relationships using institutional frameworks would be helpful.

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## CHAPTER 6

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# Leadership and Ethical Behavior

The contexts in which leaders take decisions are usually ambiguous and bounded by reality. There are various considerations that should be taken into account within a limited period of time. Furthermore, if decisions bring ethical dilemmas it becomes even more difficult to take any action. It should be noted that organizations are social constructs and important ethical and moral decisions taken by leaders may need social confirmation from individuals within their organizations. Confirmation can be provided by alignment with the existing institutional framework. This may be considered or understood as approval of leaders' behaviors and decisions. Leaders can become rational actors who help organizations to receive legitimacy. By doing so, they help their organizations to survive.

Therefore, it is important to understand when and in what circumstances organizations and individuals within those organizations are taking decisions. There are circumstances and consequences. This already complicated context may be more challenging if individuals have their own agendas. Employees within an organizational context may be more focused on the personal benefits of their actions and put these before the established organizational goals. Further exacerbating the matter is that people who possess the dark tetrad of personality traits can have completely different opinions to everyone else. It is normal for many individuals to prioritize themselves in some circumstances, but for those who are high in dark side personality traits they may be more visible and perhaps sometimes more disturbing.

If such decisions become ethical dilemmas it becomes more challenging to take them. At this point institutionalized values, norms and taken-for-granted assumptions may provide legitimacy, or perhaps prevent leaders from wrongdoing. Embedded traditions and assumptions could block any immoral or unethical behavior. If, however, dark leaders decide to take action against an institutional framework there might be enforcement, but this is a bit more complex than it may seem. First, what if leaders are in the top positions? Who should take action against them? Will (or can) boards of directors take any action against them? Boards of directors protect the rights of the shareholders and may prioritize monetary benefit above everything. Is it not the case that companies take an economic view of corporate social responsibility, with a firm's only social responsibility often being profit maximization?

As can be seen, differences and difficulties in the contemporary organizational environment make ethical, moral and perhaps responsible actions more of a challenge than ever. Nonetheless, ever-increasing pressure from various stakeholders informally encourages organizations from various fields to take preventive action. One of the problems here is that there is a wide range of stakeholders and there are even more expectations. From various stakeholders there is a wider variety of requests than would be the case if there were fewer of them. There are also matters specific to organizational structures and followers; they all have different expectations. Which request should be answered or prioritized is a difficult challenge, and maybe an issue for politics and power within an individual organization.

Power can be described as an ability to influence the decision-making process. Particularly at senior levels there are more power games at play. Each party may consider its own benefits more than those of others. In some circumstances this could be in alignment with organizational goals and objectives but in some cases it might not be. Therefore, there is a constant struggle between different powerholders, each of whom might have an individual agenda. Whether these power games respect moral and ethical decision-making is another matter. In an extremely competitive corporate world there will be many examples where the ethical decision process will not even be considered.

Within this context the dark leaders may find a huge field on which to pursue their own agendas, hiding in the gaps between the powerholders and their games. They may see opportunities for controlling the environment or manipulating others (this trait can be seen in all the dark tetrad), and will reap any benefits they can get. Of course, throughout this process they show a total disregard for others: if it is necessary to hurt others, they

will, showing no empathy whatsoever and not considering the damage they may cause both to the organization and individuals. If narcissists take a leadership position, they believe in their own greatness and the excellence of their decisions, to the point that they cannot believe their decisions are bad or morally wrong. Subsequently, there will be no winner: consistently it is the case that such leaders lead their followers and organizations to failure.

This situation becomes even worse when such personalities are in senior and leadership positions. If the established institutional frameworks do not prevent them taking any immoral or unethical action they will have the freedom to act in any way they wish. It may be claimed that both organizations and followers have the responsibility to prevent or at least not provide legitimacy for such undesirable behavior. It is true that a single employee cannot do anything, but if there is a consensus among employees this can be vitally important. However, leaders can be more powerful in certain institutional contexts than others. For example, in some cultures there is a great power distance between leaders and followers, which means it is very difficult for followers to question their leaders' actions.

However, there are different issues involved here that either provide freedom for dark leaders' actions or limit and shape their undesired behavior. One such example is the leader's relationship with other leaders and followers, and another one is the relationship between leader and organization. There are different dynamics that should always be considered. Even though organizations establish structures, eventually there are social constructs and complex political and power relations to be aware of. Therefore, formal and informal institutional frameworks develop. These relationships all deserve detailed examination.

#### INSTITUTIONAL FRAMEWORK, ORGANIZATIONS AND LEADERS' ETHICAL AND UNETHICAL BEHAVIORS

Contemporary organizations no longer have the characteristics of traditional and early organizations. They are no longer inflexible, autocratic and hugely bureaucratic; instead they have flexible, elastic, less autocratic and horizontal communication with a lean structure. Employees have more freedom and the hierarchy is less visible. Therefore, the freedom of individuals is greater than ever before. Consequently, dark leaders have opportunities to hide themselves. Even though it is crucial to identify and prevent them from reaching senior positions, it has become more difficult



to detect them within modern organizational structures. This provides new challenges for managers and senior managers.

Besides this, there is a problem of power and political games at senior levels. The corporate governance structure in Anglo-Saxon countries gives responsibility to a board of directors to control the action of leadership; this structure is different in some other countries. In Germany, for example, two different boards play different roles, with a stronger control of leadership to ensure all stakeholders are protected. What if the board of directors has similar unethical and corrupt tendencies with regard to the decision-making process, in order to benefit shareholders? This is exactly what happened during the Enron crisis. It was a lack of control and perhaps the extreme competitiveness of the corporate world that pushed Enron leaders to take such unethical and immoral decisions.

Therefore, even establishing appropriate rules and regulations that will provide an ethical framework for employees might be a challenge. In fact, not all corporations release a code of conduct. Even if they do so, there is no guarantee that it will be closely followed by everyone, even if it is enforced. Those who are supposed to follow rules and regulations and ensure they are enforced might be the very same who turn a blind eye if they feel the benefits are greater if the formal institutional framework is not followed. Even an implicit understanding that individuals do not always need to follow formal institutions may cause misinterpretation of the ethical and moral decision-making process. Therefore, establishing an appropriate control mechanism to ensure ethical and moral actions is a positive step, but is not necessarily enough. Perhaps at this point it would be good to examine the relationship between dark leaders and their followers. Organizations can implement the best rules and regulations or corporate governance practices to prevent any wrongdoing, but this system should be accepted by all and comply with existing norms, values and taken-for-granted assumptions.

### INSTITUTIONAL FRAMEWORK, FOLLOWERS AND LEADERS' ETHICAL AND UNETHICAL BEHAVIORS

Follower–leader relations are one of the important determinants in the decision-making process. There is a dyadic relationship between these two parties. Leaders' actions should be accepted on the basis of the mutual benefits and disadvantages offered. It is wrong to assume that followers

like to have ethical and moral leaders. In fact, often they prefer toxic leaders to ordinary ones (Lipman-Blumen 2005) as they may offer more short-term benefits. To successfully manage an organization even dark leaders need support from their followers.

However, it may not suit dark leaders to compromise with others unless it is absolutely necessary. They may manipulate others for their own benefit and perhaps they may corrupt others by using a range of incentives. Dark leaders may have impressive skills that they use to influence people. For example, sub-clinical psychopaths can be quite charming if they wish. Narcissistic individuals, because of their self-belief, can be quite successful at impressing their followers. Hence, followers admire their leadership and may follow leaders' actions voluntarily.

If there is an ethical consensus and there are agreed norms and values that oppose leaders' unethical and immoral behaviors, followers may find it easier to act. They may initially check the existing institutional framework and see the actions that are to be taken in compliance with the framework. If it is, there will be no more questioning; however, if it is not then the followers may not voluntarily follow the dark leaders' pathway. In fact, they may question decisions, and if they still think they are inappropriate they may act against them. This would be a big problem for dark leaders.

## FINAL THOUGHTS

Finally, issues around the unethical and immoral behavior of leaders have been discussed for a long time. Research papers dating back as far as 1991 (Jones 1991) and 2006 (Brown and Treviño 2006) show almost identical examples of unethical and immoral leadership behavior within different organizational contexts, ranging from sports to the corporate world. To give examples, Jones (1991) begins with ethical scandals in Wall Street, defense contractors' scandals and Reagan's administration officials' scandals, whereas Brown and Treviño (2006) begins with mention of the Enron scandal. Obviously much attention has been given to the dark behaviors of leaders and organizations, but the problem is still robust and discussions continue.

Several different suggestions are made regarding how to control and develop ethical behaviors among followers. One suggestion is to provide ethical leadership practices. Ethical and moral leaders can be a good reference point for employees within organizational structures. This approach

can be particularly effective if it is supported by an ethical consensus among the members of organizations, the majority accepting core values across the organization. Nonetheless, followers sometimes prefer toxic leadership to ethical leaders, and perhaps the ethical consensus can vaguely accept certain unethical and immoral behaviors. The assumption that organizations' core values and norms are ethical may not be true in all circumstances. This may therefore not guarantee the prevention of dark leaders' immoral and unethical behaviors.

One possible alternative could be a strong consideration of the existing institutional framework. It is made clear above that either a formal or an informal institutional framework, or indeed any other, is in fact one of the most important devices that can shape, limit and if necessary change individuals' or organizations' behavior in a pervasive way. Therefore, the context in which decisions are taken is crucially important. However, there is also the question of dark leaders' personalities. The question whether they are born or made is answered from the perspective of the dark tetrad of personality traits: it is just their nature. Such individuals will behave in any way they wish. They may even have a hunger to or a very strong desire to satiate their dark side. To illustrate, an everyday sadist will take every available opportunity to inflict pain on others without any reason. A narcissist will enjoy showing their superiority in any opportunity. A sub-clinical psychopath will dominate others with great pleasure and Machiavellians will manipulate others to reach their targets, no matter what happens to organizations and others.

To this end, it may be easy to say that organizations and followers are part of a much larger game. Perhaps it would not be wrong to say that dark leaders are also the players of this game. Within this context they would have no problem cheating, not respecting the rules of the game and showing no empathy or any remorse for the actions they take. If they see an opportunity, they will do everything necessary to benefit. It may be unnecessary to understand why they express such behaviors. Many undesirable personality traits are just natural to them; this is their true nature that they might have been hiding from others. These harmful traits may even be one of the most important reasons why they reach senior levels.

Perhaps the solution to this problem does not lie in trying to change such individuals' behavior, expecting them to be more ethical. Stricter controls embedded in rules, regulations, bureaucracy and organizational structure could be a good starting point. Preventing leadership positions from being filled by individuals who possess the dark tetrad of personality

traits to a large degree could be another important move. In particular, formal institutional frameworks can be a very useful tool, together with enforcement power. Developing a specific code of conduct and ethical guidelines can also be useful.

These codes and guidelines can be embedded in the organizational structure. They may also be practiced within the wider industry or field. By doing so, organizational isomorphism can be developed. Organizations may be aware of the destructive effect that they may have, and common formal reflexes could be developed. To illustrate, an organization could release a specific code of conduct and similar action could be taken within the same industry. If the dark leaders understand that it will be costly to act against the established rules and regulations, they will more probably not do so. Even sub-clinical psychopaths, despite their true nature, can control themselves if their actions will damage them. However, this process might need to be supported by an informal institutional framework.

A formal institutional framework can only be successful if it is supported by an informal one. Individuals within a framework always look for established norms, values, conventions and taken-for-granted assumptions. If there is no alignment between the formal and informal institutional framework, the institutional framework will not be implemented successfully. Every single ethical dilemma and decision made needs to be checked to make sure it sits within the existing informal institutional framework. People look for legitimacy of their own actions. For example, an ethical consensus within an organization establishes certain values and norms that become *de facto* rules that everyone is supposed to follow. If they do not there will be a very strong punishment, such as exclusion from the group.

Either way the problem of dark leaders and their unethical and immoral behavior may go deeper than was initially thought. Perhaps the first step to approach this problem is to understand the fact that some leaders are on the dark side because of their nature. It is normal for them to be unethical or immoral. They do not have the same moral codes and ethical behaviors as the rest of society. Furthermore, no values, norms, traditions or taken-for-granted behavior really matters to them. To illustrate this, living within a social construct is not impossible but merely not desirable for sub-clinical psychopaths. Perhaps the only enjoyable experience for an everyday sadist is to see a member of his or her organization in pain. Therefore, expecting dark leaders to comply with ethical and moral behavior and lead their organizations and followers in that direction may not produce positive results.

An institutional framework can therefore be a useful tool to prevent such behavior. It may prevent the dark leaders' immoral and unethical behaviors within an organizational structure. However, it may also provide legitimacy for their actions. This could be particularly visible in certain cultures where, owing to power distances, leaders cannot be questioned—hence providing legitimacy for dark leaders' actions. Furthermore, in competitive cultures winning the competition can be the most important issue, above anything else.

Finally, we have to recognize that dark leaders exist, and for some individuals it is normal to be on the dark side. They may have no moral code or values in a sense that wider society has. Therefore, dark leaders will continue to lead their followers and organizations to failure. There is no short-term solution to this phenomenon. Nonetheless, institutional frameworks can provide us with a better understanding. However, it may be society as a whole or organizations that provide legitimacy for dark leaders' immoral and unethical behavior.

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