

## **The Implications of Corporate Psychopaths for Business And Society: An Initial Examination And A Call To Arms**

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### **ABSTRACT**

Corporate Psychopaths are managers with no conscience who are willing to lie and are able to present a charming façade in order to gain managerial promotion via a ruthlessly opportunistic and manipulative approach to career advancement. What the implications of their presence in business organisations are is an area that is relatively new to the area of business and behavioural research. However the presence of Corporate Psychopaths has several implications for work in business research. This paper reviews the concept of Corporate Psychopaths, describes how they may theoretically be present in organisations at senior managerial levels in much larger numbers than their approximately 1% incidence in the general population would suggest and discusses the implications of this for business and society.

The paper defines Corporate Psychopaths as those people working in corporations who are self-serving, opportunistic, ego-centric, ruthless and shameless but who can be charming, manipulative and ambitious. It reviews the recent series of papers and news articles on Corporate Psychopaths and discusses how and why Corporate Psychopaths are drawn to corporations as sources of power, prestige and money. The paper suggests that Corporate Psychopaths are a threat to business performance and longevity because they put their own interests before those of the firm. It also discusses how they are a threat to the development of a sense of corporate social responsibility because they have no sense of guilt, shame or remorse about the consequences of their decisions.

### **INTRODUCTION**

At the 2005 Australasian Business and Behavioural Sciences Association Conference, Professor Sandra Speedy identified the problem of ruthless, dysfunctional managers (Speedy 2005) and their affect on organisations and society. Although Speedy did not name these managers as Corporate Psychopaths the behaviour of some of the managers she described clearly identified them as such and this paper continues that argument. Speedy describes how a 'morally anchored manager' could be humble, courageous and compassionate and says that she hopes that it is possible to help create such leaders, however if such leaders are Corporate Psychopaths this will not be possible as discussed in the paper below. Corporate Psychopaths have recently been identified as possible agents of corporate misbehaviour and misconduct and a recent paper (Boddy 2005b) suggests that Corporate Psychopaths are a

threat to business performance and to corporate social responsibility because they put their own interests before those of the corporation or of society. The concept of Corporate Psychopaths has caught the popular imagination and been reported in the popular press and in business magazines and television programmes including The Australian Broadcasting Commission's 'Catalyst' programme, the Dublin Sunday Times, The New Paper (Singapore), The Times, The West Australian, The Financial Times, New Scientist magazine, The Economist, The Daily Mail, The Liverpool Echo, Harvard Business Review and the recent book 'Working with Monsters'.

The presence of Corporate Psychopaths within organisations has important implications for the way resources are allocated and companies are run and for this reason the concept is worth examining further.

### **WHAT ARE CORPORATE PSYCHOPATHS?**

A psychologically oriented definition of what a psychopath is comes from the book 'A Dictionary of Psychology' which defines it thus; "*A mental disorder roughly equivalent to antisocial personality disorder, but with emphasis on affective and interpersonal traits such as superficial charm, pathological lying, egocentricity, lack of remorse, and callousness....*"(Colman 2001). This psychological definition illustrates the characteristics of a Corporate Psychopath.

According to Professor Robert Hare (Morse, 2004) Corporate Psychopaths are simply the roughly 1% of the population who are certifiably psychopathic and who work in corporations and other business organisations. Unlike the criminal psychopaths of popular imagination these people are not identifiably insane or suffering from mental delusions but are just ruthless, corporate careerists. Outwardly charming, polished and apparently total normal they have a hidden cunning and ability to manipulate others to their own advantage making them ideally placed to establish a fast track career in business organisations. Thus Corporate Psychopaths are not psychotic or delusional (insane) but merely opportunistic, lacking any concern for the consequences of their actions and ruthless in their pursuit of their own aims and ambitions. Self-gratification is their main aim in life.

Most of the recent news articles on Corporate Psychopaths were based on the work of Professor Robert Hare who has published work on the reliable identification of psychopaths (see the paper by Molto, Poy & Torrubia, (2000) for a description of this) and who developed the Psychopathy Checklist for use in clinical psychiatry and psychology. This checklist has been adopted worldwide (Wormith 2000; Molto, Poy & Torrubia 2000) as the standard reference for researchers and clinicians to assess psychopathy. Working with Dr Paul Babiak, Hare has reportedly turned his attention to the corporate world and developed a version of his Psychopathy Checklist, called the Business Scan 360, for use in business. The "360" refers to the fact that the checklist involves interviews with all the people around the person concerned. A questionnaire about them is administered to their colleagues in the corporation they work for and concerns questions on anti-social tendencies, organisational maturity, interpersonal

relations and personal style. A rating or score on how psychopathic the person is results from this.

Hare's original checklist for criminal psychopathy is summarised below for reference.

- Glibness/superficial charm
- Grandiose sense of self-worth
- Need for excitement
- Pathological lying
- Conning/manipulative
- Lack of remorse or guilt
- Shallow affect (emotion)
- Callous/lack of empathy
- Parasitic lifestyle
- Poor behavioural control
- Promiscuous sexual behaviour
- Early behavioural problems
- Lack of realistic long term goals
- Impulsivity
- Irresponsibility
- Failure to accept responsibility for actions
- Many short term marital relationships
- Juvenile delinquency
- Revocation of conditional release
- Criminal versatility

Psychologist Dr. John Clarke, an Australian academic has also been working along the same lines as Hare as reported in a recent Australian Broadcasting Corporation Television programme (Newby 2005). Clarke has recently written a book on the subject, somewhat revealingly called 'Working with Monsters'. Drawing on this book the ABC programme reported that up to 0.5% of women and 2% of men could be classified as psychopaths and described how coming across them in organisations could present an employee with situations of harassment and humiliation. Psychopaths are also described as being grandiose, manipulative and cold-hearted (Bernstein et al. 2000) and lacking in genuine remorse or empathy. Other traits, described in a New Scientist article (Spinney, 2004) as belonging to a Corporate Psychopath are, superficial charm and good intelligence; no sign of delusions or irrational thinking or nervousness,...unreliability, untruthfulness, and insincerity; lack of shame; pathologic egocentricity and incapacity for love; general poverty in major affective reactions, an impersonal sex life and uninviting behaviour with drink. The New Scientist article reports how in 1977 an academic called Cathy Widom, at Harvard University in put an ad in a Boston paper as a means of luring what she called "non-institutionalised psychopaths into the open. The ad. read "Wanted: charming, aggressive, carefree people who are impulsively irresponsible but are good at handling people and looking after number one." All of those who responded and were interviewed were described as having met the criteria for psychopathy as defined by personality traits and antisocial behaviour. This

description therefore provides a useful thumbnail sketch of the characteristics of a Corporate Psychopath. The various news articles resulting from Hare's work only named one possible CEO psychopath, who was already a CEO Celebrity in a negative sense and already dead. This was the disgraced British media tycoon Robert Maxwell, who was found to have stolen from his own company pension fund. Hare reportedly said "I'm not saying Maxwell was a psychopath...but he sure had psychopathic tendencies."

In terms of the origins or causes of psychopathy little is known but 1993 research by Joanne Intrator with Robert Hare collaborating (Kaihla 1996) suggests a physical, neurological factor at work. The researchers used an emotional language test that tested reactions to neutral words as well as to emotionally-loaded words after injecting test subjects with a radioactive tracer and then scanning colour images of their brains. When normal subjects processed the emotion-laden words, their brains lit up with activity, particularly in the areas around the ventromedial frontal cortex and amygdala. The former apparently plays a crucial role in controlling impulses and long-term planning, while the amygdala is often described as "the seat of emotion." In tests on the psychopaths, those same parts of the brain appeared to remain inactive while processing the emotion-laden words.

## **CORPORATE PSYCHOPATHS AND BUSINESS ORGANISATIONS**

Corporate Psychopaths are reportedly (Boddy 2005b) drawn to business organisations because within them are the sources of power, prestige and money they seek to accrue to themselves. A Daily Mail article (Utton 2004) reports Professor Hare as saying that "Wherever you get power, prestige and money you will find them (psychopaths)". The article says that psychopaths tend to be manipulative, arrogant, impatient, impulsive and charming and have no conscience. Another article (Kaihla 1996) claims that Corporate Psychopaths find wealth and success as highly manipulative corporate careerists and have a profound lack of empathy and remorse for the harm they do others.

Another article in the Irish Sunday Times (McConnell 2004) reported on another academic's research in the same area saying that Michael Barry reports that some of the country's business bosses display recognised psychopathic behaviour. These included an ability to be charming, a thirst for money, power and status and an ability to manipulate others and be expert liars. He said "the world of business often rewards people who have these traits, and common sense suggests that some are occupying high office" but he declined to name any CEOs showing such signs.

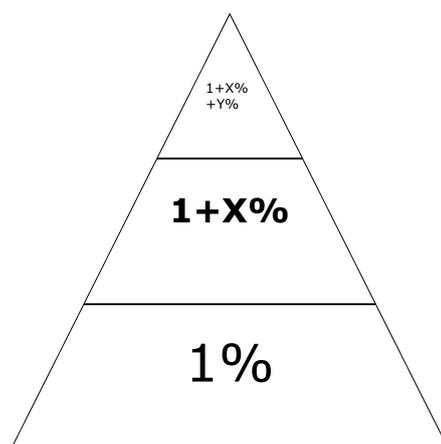
Dr Paul Babiak, an organisational psychologist reports (Selamat 2004) that psychopaths tend to rise quickly in organisations thanks to their manipulative charisma, single-minded determination and near-complete lack of remorse about who they run over in their callous climb to the top and also that their intelligence and social skills permit them to present a façade of normalcy which enables them to get what they want with relative impunity. Elsewhere (Hipern 2004) Babiak is reported as saying that psychopaths have the ability to demonstrate the traits that

organisations need and can present a charming façade and look and sound like an ideal leader but actually be manipulative and deceitful.

If the description of Corporate Psychopaths given above is correct (and there is no evidence at this stage to suggest that it is not), then they are arguably more motivated and better equipped than other corporate managers to rise to high corporate positions. They are more motivated (Boddy 2005a) because they crave the power, money and prestige that senior managerial positions bring and they are better equipped because they are ruthless, prepared to lie, have fewer other claims on their time because of fewer other emotional attachments and can present a charming façade and appear to be an ideal leader.

These attributes may facilitate their entrenchment, the ability to gain more power through informal mechanisms and through increased popularity (Brockmann et al. 2004) and this consolidation of power in turn can facilitate further advancement in the corporate hierarchy.

This combination logically suggests that Corporate Psychopaths exist in greater numbers at higher corporate levels than their estimated population frequency of 1% would imply if they were just spread evenly across the corporate population. It has been hypothesised (Boddy 2005b) that the higher up an organisation one goes the more likely one is to find corporate psychopaths. This is because of the skills of cunning and manipulation corporate psychopaths have which enable them to do well in job and promotion interviews.



Evidence for this outcome comes from an examination of workplace crime via a bagel selling honesty box. In an extract from the book 'Freakonomics' (Levitt & Dubner 2005) the authors describe how a bagel seller used an honesty box to collect money for bagels left in offices for office workers to buy. Workers could take bagels to eat and were supposed to put the money for the bagels in a box left for that purpose. The seller, Paul Feldman, kept detailed records of levels of honesty according to the numbers of bagels taken and the money collected. He found that levels of honesty were typically around 90% but went up or down with various factors such as the weather (good weather = more honesty/better feelings?) and time of year (Christmas = less honesty/higher anxiety?). He also

concluded that the workers higher up the corporate ladder were less honest than those further down and this fits in with and supports the hypothesis that corporate psychopaths are more likely to be found the higher up a corporation one goes. Feldman suspected this higher level of theft from his overall experience but also found this out in delivering to a company over three floors where one floor was an executive floor. He found that the honesty rate was higher on the more junior sales and administrative floors than it was on the executive floor. Levitt and Dubner suggest that rather than explaining this difference in terms of the executives having an overdeveloped sense of entitlement it could be that they got to be executives in the first place by cheating and just continued this cheating behaviour in stealing the bagels without paying for them.

## **CORPORATE PSYCHOPATHS AND BUSINESS PERFORMANCE**

Recent news articles in major business magazines like the Economist (Economist 2004) and regional newspapers like the West Australian (Phillips 2004) have discussed the idea of psychopaths at work as well as the lack of ethics in business leading to inferior business performance (Rutherford 2004). At first view the existence of Corporate Psychopaths would appear to provide evidence for the bounded rationality of managers. However because they are ruthless and largely unaffected by the emotional consequences of what they do, they may actually operate as almost perfectly rational beings, with the important caveat that in making rational decisions they will put their own interests before those of the corporation they work for. If they are in positions of power then this could have important implications for firm performance. Resource based view strategists (Hansen & Wernerfelt 1989) have concluded that the critical issue in firm success is the building of an effective human organization and the presence of Corporate Psychopaths would directly affect such organisational development because they tend to be disruptive (Clarke 2005) to those around them, especially to junior colleagues.

In another paper (Buttery & Richter 2005) at the 2005 Australasian Business and Behavioural Sciences Association Conference it was argued that the sort of Machiavellian machinations that may be adopted by some managers may be a source of corporate crisis rather than away of successfully managing a company. Here the authors again seem to be implicitly talking about the types of behaviour which may be manifested by Corporate Psychopaths. However an underlying premise of the authors seems to be that a Machiavellian manager would want to avoid corporate crisis, whereas a Corporate Psychopath would not necessarily care about any corporate crisis and may even want to create a crisis rather than avoid one in order to divert attention away from his activities or to benefit from the opportunities a crisis throws up. As they have no conscience Corporate Psychopaths are not at all bothered about the affects of their actions on the corporation they work for as long as their own needs and wants are being met by their actions.

## **CORPORATE PSYCHOPATHS AND CORPORATE SOCIAL RESPONSIBILITY**

Psychopaths are not a homogenous group (Adshed 2003) and their presence in large firms in relatively large numbers (1% or more) can affect a firm's ability to make ruthless decisions in its own interests. An article in The Times (Naish 2004) talks about heartless organisations which exploit sweatshop labour in foreign countries and pollute the environment in pursuit of profit. However it is managers within those organisations who make the decisions necessary to lead to those consequences and if those managers are Corporate Psychopaths then such decisions, it may be argued, are more likely to be made.

As Corporate Psychopaths have little or no conscience then they are not driven by any idea of social fairness or social responsibility and this in turn limits the development of corporate social responsibility within the corporation. Corporate Psychopaths lack any sense of remorse, guilt or shame and so are capable of making decisions that put lives at risk in situations where other managers would make different decisions.

## **CORPORATE PSYCHOPATHS AND BUSINESS LONGEVITY**

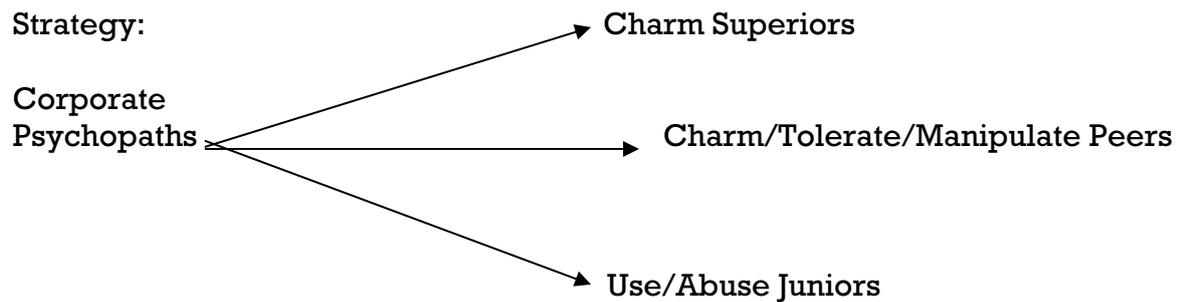
In describing Corporate Psychopaths a New Scientist article (Spinney 2004) gives a case as involving a man who was "a natural leader, creative, energetic and ambitious...someone charming, yet aggressive; a manipulative boss...who constantly switches allegiance as different people become useful ... (who) turned out, in the end, to be setting up his own business on company time and resources. He is what some psychologists describe as an industrial or Corporate Psychopath".

Corporate Psychopaths are concerned with their own advancement and enrichment in terms of power and money and these concerns take precedence over any concerns over the continued success of the business or organisation they work for.

This is one reason why organisations should be concerned with identifying and containing the Corporate Psychopaths who work within the organisation. The Corporate Psychopath puts self-interest and self-enrichment before corporate longevity and corporate success.

## **DEALING WITH CORPORATE PSYCHOPATHS IN THE ORGANISATION**

Corporate Psychopaths are reportedly more likely to reveal their true ruthlessness in front of those colleagues who are not useful to them as there may be no perceived need to impress such people. Therefore rank and file staff may be the first to notice that a person is a potential Corporate Psychopath. A mechanism to allow these concerns to be heard, through for example an anonymous complaint or reporting procedure, allows such concerns to surface early in the career of a Corporate Psychopath before any serious damage can be done to the organisation and the lives of its employees. A diagram of how corporate psychopaths behave towards different colleagues is shown below.



In the case where they fear being found out then their strategy is to create chaos so that in the confusion they can avoid scrutiny and detection as people concentrate on bring order to the confusion created. Creating chaos and confusion so that they can draw attention away from themselves and manipulate events to their own ends are their means.

Eventually Hare's psychopathy screening tool (BS360) could be used to identify Corporate Psychopaths as part of the usual batch of intelligence and personality tests carried out by human resources departments. Hare's BS360 asks (Butcher 2004) an individual's colleagues to answer yes, no or maybe to questions about his or her behaviour to determine the level of psychopathy present. Questions cover areas including whether the person is creating a power network for personal gain; lies to co-workers; comes across as smooth, polished and charming and uses a lot of management jargon to impress people. Hare says that psychopaths have an uncanny ability to perceive the needs and wants of the person they are interacting with and can put on a different facade for each person they meet.

## **CORPORATIONS AND SOCIETY**

The size, scale and pervasiveness of modern corporations means that they affect society as never before and according to some commentators (Assadourian 2005) this relationship with society is becoming too one-sided for equilibrium to exist and a readjustment is therefore necessary. Some corporations are reportedly bigger, in financial terms than many nation governments and of the 100 largest economies in 2002 50% were corporations. Assadourian says that if these corporations, taking advantage of their size and power to change and influence laws in their favour, keep on exploiting and polluting the environment with toxic chemicals, gases and other hazardous materials then major damage to human society could occur. Arguably then corporations are in danger of spoiling the societies in which they operate and exist and they have a duty therefore to make sure that they organise themselves to make sure that those societies can continue to exist. It can be argued that if such organisational decisions are in the hands of Corporate Psychopaths then decisions that are friendly to society or to the environment are less likely to be made.

## CONCLUSIONS

That Corporate Psychopaths exist is beyond question. The implications of this for business and society are just beginning to be explored. However the existence of Corporate Psychopaths has potentially major implications on understanding some decisions on firm resource allocation, ethical decision making and overall firm performance.

As one of the first papers on the subject of Corporate Psychopaths in the area of business, this paper of necessity raises more questions than it answers. Above all what sort of people do we want running our major institutions and organisations and making decisions about how those institutions and organisations affect business, the environment, society and the economy?

Academics involved in the areas of business and behavioural research should arguably be much more heavily involved in research in this area as it has major implications for the way in which business and society are managed. This paper calls for much more research in this area.

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