

## Tyrannical Rex: Psychopathic Corporate Leadership and White-collar Crime

Frank S. Perri\*

### I. Introduction

*The difference between psychopathy in the business world and general psychopathy is the suit. In essence, the crimes are the same but it all comes in a more expensive and well-spoken package. Make no mistake, the long-term results are just as devastating.*  
Dr. Cynthia Mathieu (2016)

Chief executive officer (CEO) Garth Drabinsky cofounded Livent, a Canadian firm that produced theatrical musicals. However, as his success diminished, Drabinsky resorted to committing financial statement fraud by understating expenses to appear more profitable. Described as tyrannical, Drabinsky abused subordinates, especially the accountants, where “They were told on a very regular basis that they are paid to keep their [expletive] mouths shut and do as they are [expletive] told. They are not paid to think ... berating them when they failed to live up to his perfectionist standards or questioned his decisions” (Knapp, 2009, p. 391). One auditor, Robert Webster, refused to succumb to Drabinsky’s bullying tactics stating that he “never experienced anyone with Drabinsky’s abusive and profane management style” (p. 390). Drabinsky “accused Webster of attempting to tear the company apart with his persistent inquiries” and told Webster “that he was there to service his requirements” (p. 391).

To facilitate its massive collusive fraud, Drabinsky relied on Livent’s top executives who “screamed and swore at the company accountants” while engaging in “coercion and intimidation to browbeat their accountants ... displaying a contemptuous attitude toward outside auditors” believing that it was “no one’s business how they ran their company” (p. 394). Drabinsky, his executive team, and the accountants held meetings on how to commit financial statement fraud so that it would go undetected. In order to facilitate the financial statement fraud, management maintained two sets of accounts: the real and the fictitious. As the executive who maintained two sets of financial records stated, “I have to keep all the lies straight. I have to know what lies I’m telling these people [outsides auditors]. I’ve told so many lies to different people I have to make sure they all make sense” (p. 394). When one of the accountants asked which documents should be revealed to the auditor, the executive responded, “[Expletive] you and your auditors ... I don’t care what they see or don’t see” (p. 395). Many of the accountants participating in the fraud experienced workplace emotional trauma, but ultimately faced criminal fraud charges when the scheme was discovered. Is Drabinsky a psychopathic corporate leader, and if so, does it matter?

We might prefer to think that corrupt corporate leadership described above, but also those affiliated with the upper echelons of management, represent the exception and not the rule. Unfortunately, leadership corruption reflecting white-collar crime is a worldwide problem that cuts across ideological and cultural divides (Zahra et al., 2005). The reality is, “serious white-collar crimes are not necessarily committed by those who own corporations, but rather by those who have access and control over organizational resources, for instance chief executive officers and chief financial officers (CFOs) or even upper-level line managers and supervisors” (Shover and Wright, 2001, p. 165). For example, in the wake of corporate scandals, such as Enron, Adelphia, and WorldCom in 2001 and 2002, the U.S. Department of Justice (DOJ) created the Corporate Fraud Task Force. In its report, the department indicated that since the task force’s inception, it obtained convictions or guilty pleas from at least 214 former CEOs and presidents, 53 CFOs, and 129 vice presidents (DOJ, 2007).

Moreover, consider that between 1998 and 2007, the U.S. Securities and Exchange Commission (SEC) named the CEO and or the CFO for some level of involvement in 89% of its fraud cases (COSO, 2010). Consider that accounting services firm KPMG found that in a 2011 global survey, CEOs were involved in 26% of organizational fraud cases, up 11% from a similar 2007 survey (Helm and Mietzite, 2011). Also, instructive are global survey results examining CFO

conduct where 3% would misstate financial performance, 7% would prematurely recognize revenues before they were earned, 9% would backdate contracts, 13% would offer cash payments to win or retain business, and 36% could rationalize misconduct to improve financial performance (Stulb, 2016). Ironically, many corporate leaders who topped the charts in terms of criminal practices were exalted as corporate visionaries, yet they strove to make their visions a reality not by ethical contemplation, but by disregarding laws, regulations, and social norms that ultimately culminated into criminal misconduct (Cleff et al., 2013).

We witnessed the “dramatic fall of leaders once held in high esteem considering that the same people spoke at university commencements, graced the covers of *Fortune* magazine, and donated generously to charities while taking pride in being role models for employees and aspiring business school students alike” (Soltes, 2016, p. 2). For example, convicted telecommunications company Qwest CEO Joseph Nacchio was “considered a visionary for his dogged pursuit of Internet opportunities” but engaged in fraudulent revenue recognition and insider trading (CRN, 2000). Upon release from prison, Nacchio remained unapologetic about his corruption stating, “I can’t wait for the first person to come up to me and say something to me about the conviction, I’m going to look them in the eye and say, you must be confusing me with someone who gives a f— about your opinion” (Searcy, 2013). Enron’s CFO Andrew Fastow, chief architect of the company’s securities fraud, received the 1999 Excellence Award in capital management structure from *CFO Magazine* (Perri, 2013). Commenting on his abilities, Fastow stated, “I ought to be CFO of the year ... Do you realize what a great job I’ve done at this company” (Ham et al, 2017, p. 1090).

The evidence is rather blatant; “there exists exceptionally smart people in the business environment who are unethical and there is little that will deter their willingness to engage in fraud to achieve their goals” (Finn, 2015, p. 40). In the face of large-scale corporate scandal, inevitably psychopathy would become one explanation for such callous and socially devastating behavior of a corporation’s most powerful actors—senior leadership. This behavior is reflected in attention-grabbing headlines such as “1 in 5 CEOs is a psychopath, study finds” and the “CEO is the profession with the most psychopaths” (Landay et al., 2018, p. 1). Although these narratives provide a sensationalistic explanation for organizational dysfunction and misconduct caused by antisocial executives, many of these claims offer limited, anecdotal evidence that is reflective of a variety of personality types capable of displaying antisocial traits.

Yet, it is important not to trivialize individual pathologies by perceiving them as normal disturbances, or simply as “harmless personality quirks” because they can be detrimental in a workplace that is already embroiled in bullying, toxic, and aggressive behaviors coupled with participation in white-collar crime; undiagnosed or misdiagnosed employee pathologies are a precursor to ever-escalating organizational dysfunction (Gudmundsson and Southey, 2011). Today’s corporate psychopath is highly educated with doctorate, medical, and law degrees coupled with being in leadership positions who are capable of circumventing governance controls and avoiding fraud detection during audits (Babiak and O’Toole, 2012). Refining the psychopathic leadership profile remains complicated because of the limited access researchers have to the business world, non-profit organizations, and the world of politics impeding data collection on the subject, thus the psychological profile of the psychopathic leader may be difficult to recognize (Palmen et al., 2020).

Despite difficulties, if psychopathy is a corrupt corporate leadership risk factor, what traits does this corporate psychopath harbor that explains their ability to rise to leadership positions that stand in contrast to the criminal psychopath displaying an unstable lifestyle? To address this question, the article conceptually examines white-collar crime and its link to psychopathy. Moreover, the articles address why successful psychopathic leaders are more apt to engage in fraud due to their intelligence, education, while harboring better behavioral controls. Lastly, the article analyzes the behaviors of convicted Enron CEO, Jeffrey Skilling.

## **II. White-Collar Crime Conceptualization**

Well over eight decades ago, criminological scholar Edwin Sutherland popularized the white-collar concept observing that upper socioeconomic members of society engaged in crime (Sutherland, 1940). By focusing on white-collar crime, Sutherland “altered the study of crime throughout the world in fundamental ways by focusing attention upon a form of lawbreaking that had previously been ignored by criminological scholars” (Lilly et al., 2011, p. 277). As a pioneer in the field, Sutherland “wished to debunk the myth” and challenge biases that criminality was reserved for those from the lower rungs of society, maintaining that educated, socioeconomically well-off individuals also engaged in crime (p. 274). Sutherland recognized the corrosive impact of white-collar crime on social capital that facilitates trust and cooperation recognizing that corporate offenders “are by far the most dangerous to society of any type of criminals from the point of view of effects on private property and social institutions” (Sutherland, 1934, p. 32). White-collar crime

destroys companies, drains shareholder value, and contributes to the erosion of faith in the integrity of leadership triggering greater societal cynicism (Zahra et al., 2005). For purposes of this article, white-collar crime is an overarching term that encompasses a range of financial frauds such as financial statement fraud and asset misappropriation committed in the corporate context describing a violation of a delegated trust by some form of deceit and violation of laws and corporate governance. It is acceptable to employ the term white-collar crime, fraud and corruption interchangeably due to its common usage of conveying some form of financial exploitation, law-breaking or corporate misconduct behavior (Perri, 2021).

### **III. Understanding Behavioral Aspects of Corporate Leadership**

Leadership is considered a reciprocal relationship between the leader and followers, where the leader uses social influence to persuade people to set aside individual pursuits in order to attain organizational goals. Leadership is usually coupled with the ability to alter or influence the actions, behaviors, and mindset of followers through communication, inspiration, and setting the organizational example (Jones and Jones, 2014). Leadership, by their words, actions, and inaction, sets the proverbial “tone at the top” which represents the type of culture, values, and expectations deemed relevant to the organization influencing employee behavior. While organizations are larger than any one-person, corporate leadership is entrusted with the task of setting an organization’s tone relating to integrity. The vast majority of literature over the past five decades has focused on determining the characteristics of effective leadership which led to it being romanticized through Lincolnesque images of goodness and self-sacrifice—void of personal flaws. This perception ignored the possibility of a darker side in which leadership is not constructive to organizational purposes.

Leader traits can be defined as consistent, relatively predictable patterns of personal characteristics that reflect individual personality differences, motives, values, worldviews, and thinking patterns that result in coherent leadership effectiveness or ineffectiveness (Regnaud, 2011). Ethical leaders engage in constructive behaviors while those that harbor destructive qualities display bully, hubristic, psychopathic, and narcissistic dispositions. Also, a tone at the top reflecting a bottom-line financial mentality at any cost promotes short-term solutions that appear financially sound despite the problems created. Such a tone promotes an unrealistic belief that business boils down to a monetary game and that ethics and the law are obstacles to the end-goal of profit realization. As a consequence, CEOs play a role in a corporation's slide toward corruption to the point it becomes normalized and routine. CEOs whose cultural message is to ‘win at all costs’ often preside over tragically compromised organizations (Barnard, 1999).

For example, when Lockheed President Carl Kitchian admitted to paying millions of dollars in bribes to foreign dignitaries, he expressed little remorse because these payments were simply a cost of doing business. Kitchian stated, “Some call it gratuities. Some call them questionable payments. Some call it extortion. Some call it grease. Some call it bribery. I look at these payments as necessary to sell a product. I never felt I was doing anything wrong” (Soltes, 2016, p. 124). Also, consider the insights of convicted CFO Samuel Antar, “It’s not uncommon, you know ... that people are paid off the books ... nobody is denying its illegal. It is more like a casual thing, like an entitlement. There was never a morality issue that I can recall ... committing fraud was just like another part of life” (Wells, 2012, p. 56). Leadership tone also is displayed by the “people it promotes, dismisses or allows to stagnate” (p. 335).

Consider the impact on an organization’s tone at the top when we examine the opinion of a CEO upon learning that his subordinates had been criminally convicted in a price-fixing scandal. The CEO did not punish them and, in fact, they would retain their former positions because “these men did not act for personal gain, but in the belief that they were furthering the company’s interest ... each of these individuals is in every sense a reputable citizen, a respected and valuable member of the community, and of high moral character” (Soltes, 2016, p. 30). Corrupt leadership “violates the legitimate interest of the organization by undermining and or sabotaging the organization's goals, tasks, resources, and effectiveness and/or the motivation, well-being, or job satisfaction of subordinates” (Tourish and Vatcha, 2005, p. 208). Such leaders engage in “corruption, hypocrisy, sabotage, and manipulation, as well as other assorted unethical, illegal, and criminal acts” and put their self-interest ahead of the organization's legitimate interest (Lipman-Blumen, 2005, p. 18).

Traditionally little research explored the personality traits of corrupt leadership despite the fact that white-collar criminality dwarfs street-level crime in terms of financial costs. Scholars accepted the “belief in the psychological normality of the white-collar criminal as an argument against the psychological explanation of crime” rejecting the notion that personality traits served as a risk factor to engage in crime regardless of the crime classification (Coleman, 2002, p. 184). Indeed, fraud offenders have long been assumed to not harbor personal pathologies that appear common in street-

level offenders (Benson, 2015). As a result, “the psychology of white-collar offenders is not a subject on which researchers have invested much effort” (Simpson and Weisburd, 2008, p. 177).

However, corporate fraud is a human endeavor, thus it is important to understand the psychological factors, including personality that might influence the offender’s behavior toward criminality (Ramamoorti, 2008). Although personality is not the cause of criminal behavior, understanding personality is important to understanding how individuals assess risk in relation to whether to engage in misconduct and how they interact with others in an organizational setting which is what corporate leadership is expected to do. Scholars find concerning the possibility that certain personality traits may contemporaneously promote both occupational success in organizations and criminal tendencies (Benson and Manchak, 2014). In the context of this article, does psychopathy facilitate the decision to engage in fraud as a corporate leader? Research suggests psychopathic personality traits plays a key role in the likelihood of corporate corruption in the form of financial statement fraud and asset misappropriation (Cohen et al., 2010).

Psychopathy is linked to counterproductive workplace behaviors and white-collar crime (Jones, 2014). Caution warrants that while some individuals in the corporate world may display psychopathic traits, such as being manipulative, callous, and lacking empathy, those traits alone do not reflect psychopathy because they also can be reflective of other dark triad personalities; notably Machiavellianism and narcissism (Jones and Hare, 2015). Moreover, even though psychopathy has become a highly researched personality disorder predicting criminal behavior, “there is little understanding as yet how psychopathy contributes causally and under what circumstances” to criminal behavior (Skeem et al., 2011, p. 126). More research is necessary to understand corporate psychopathy and its relations to white-collar crime; its application to corporate corruption cannot simply be based on anecdotal evidence of an expression of psychopathy (Smith and Lilienfeld, 2012).

#### **IV. Psychopathy and White-Collar Crime**

Modern descriptions of psychopathy derive most directly from the observations of American psychiatrist Hervey Cleckley who wrote, *The Mask of Sanity* (1941). Cleckley’s insights suggest that the essence of psychopathy entails a contradiction where these individuals display an outward, initial appearance of positive social adjustment, including: friendliness, sound judgement, morals, and values; however, these features occur hand in hand with an inward personality consisting of a defective conscience coupled with antisocial behaviors. Psychopathy is a personality disorder characterized by behavioral, emotional, and interpersonal deficits including, but not limited to: traits of egocentrism, shallow emotions, irresponsibility, thrill seeking, narcissism, a parasitic lifestyle, pathological lying, impulsivity, manipulative, reduced concern for social norms, lack of guilt, remorse, and empathy (Hare and Neumann, 2008). Psychopathic individuals engage in antisocial behavior with “little or no evidence of the conscious conflict or the subsequent regret” (Cleckley, 1988, p. 344).

Psychopaths lack an emotional sense of right and wrong and do not experience or attribute regret, guilt to themselves, or shame because of their low concern for social norms (Walker and Jackson, 2016). Psychopaths can make the same kinds of moral distinctions as non-psychopaths when it comes to evaluating moral dilemmas but are not as apt to engage in the kinds of motivational systems that inspire appropriate behavior (Cima et al., 2010). They are more apt to ignore, dismiss, downplay, or not even consider the risks inherent in certain decisions and miscalculate the risk of being caught and punished. Psychopathic personalities are considered toxic and antagonistic as they share a malevolent, exploitive behavioral style, striving for self-beneficial goals at the expense of or at least without regard for the welfare of others (Rauthmann, 2011). They are preoccupied with dominance and power and use aggressive tactics such as manipulation to get whatever they think they are entitled to (Babiak and Hare, 2019).

The capacity for empathy is considered a necessity for the development of moral emotions such as guilt and compassion and to promote prosocial behaviors while inhibiting antisocial ones. However, “it is possible to have people who are so emotionally disconnected that they can function as if other people are objects to be manipulated and destroyed without any concern” (Chivers, 2014). This problem is because psychopaths see empathy and a sense of responsibility—qualities usually considered as the epitome of goodness and humanity—as signs of weakness to be exploited, and laws and social rules as inconvenient restrictions on their freedom (Hare, 1999). This observation is supported by the insight of convicted CFO Samuel Antar who stated, “White-collar criminals consider your humanity, ethics, and good intentions as weaknesses to be exploited in the execution of their crimes” (Antar, 2010). Psychopathy is considered a risk factor facilitating the occurrence of white-collar crime (Perri, 2016; 2011). Even when psychopaths engage in fraud, they risk

much in order to seek what is trivial; at times their crimes are incomprehensible and are not done for any material gain at all (Cleckley, 1988).

Psychopathic white-collar offenders often are “heavily involved in obscenely lucrative scams of every sort where they lead lavish lifestyles while their victims lose their life savings, their dignity, and their health—a financial death penalty” (Carozza, 2008, p. 38). In one study, white-collar offenders scored lower, overall, for having engaged in criminality as a lifestyle choice, but higher on measures of psychopathic traits than non-white-collar offenders (Ragatz et al., 2012). Psychopathic white-collar criminals score higher on the trait conscientiousness (Palmen et al., 2020). Psychopathic white-collar offenders are weighted in narcissism and Machiavellianism are rewarded for manipulative, deceptive, and callous behavior (Schouten and Silver, 2012). Another study established a positive relationship exists with psychopathy and attitudes justifying intentions to commit white-collar crime where offenders displayed self-centered and Machiavellian personalities (Ray and Jones, 2011). A Machiavellian personality describes an amoral attitude or a viewpoint where the ends justify the means regardless of whether the means to achieve the ends were ethical or legal (Ray, 2007).

## **V. Psychopathy and Corporate Leadership**

As far back as 1948, criminal psychiatrist Dr. Walter Bromberg, a contemporary of Dr. Cleckley, specifically acknowledged that psychopathic behavior as a social problem cannot be ignored especially its link to white-collar crime and corrupt leadership observing that “as Cleckley has pointed out, the disregard of reality ... has been seen to exist in men otherwise successful as professionals or business executives, who sooner or later betray themselves through some crass action” without experiencing remorse (Bromberg, 1948, p. 104). Leaders harboring psychopathic personalities are found in the military, industrial, academic, and non-profit circles (Gao and Raine, 2010). The studies conducted linking psychopathy and leadership indicate that psychopathic leaders share many of the dark traits with their overtly criminal, violent counterparts in prison, but there are important dissimilarities especially as it relates to the concept of impulsivity—behaviors where one is not giving adequate planning and thought to the consequences of their actions. (Palmen et al., 2020). In this section, the author examines the relevance of applying the primary versus secondary psychopathy distinction to leadership ascension, and the application of successful psychopathy to corrupt corporate leadership.

### **Primary and Secondary Psychopathy Considerations Facilitating Leadership**

The primary versus secondary psychopathy distinctions is regarded as one of the most important classification subdivisions of the psychopathy concept (Hicks and Drislane, 2018). This “distinction has been especially interesting to researchers who are striving to explore and enlighten the differences between those high in psychopathy who end up in prison and those high in psychopathic traits that are able to gain a certain amount of success in life” especially as it relates to corporate leadership profiling (Palmen et al., 2020, p. 4). An issue that needs to be addressed is the relevance of the trait of impulsivity to leadership given that in conceptualizations of psychopathy, impulsivity is considered one of its hallmark traits (Hare, 2003). Typically, psychopathic impulsivity entails a lack of premeditation, reacting without thinking, little planning, and not reflecting on the consequences of one’s behavior. Understanding the application of impulsivity to this analysis of trying to understand psychopathy and its relationship to leadership is important or else we are left with confusing contradictions.

For example, on the one hand, experts discuss psychopaths that are impulsively reckless, do not think before they act and do not consider the consequences of their behaviors either because it is irrelevant to them or they lack the moral imagination to think of how their behaviors play themselves out for the worst, not only for others, but themselves explaining why they end up in prison (Poythress and Hall, 2011). It would be difficult to imagine that a CEO could exhibit those types of impulsivity traits and still attain such a position. One explanation of how we characterize psychopaths that are impulsively reckless and those that are more in control of their behavior and thus capable of operating in a corporate environment is the one offered by Dr. Benjamin Karpman, where he subdivided the psychopathy construct in those that display primary and secondary psychopathy (Karpman, 1941).

The primary psychopath displays traits of high levels of conscientious, goal-oriented, low levels of reckless impulsivity, thus better at controlling their behavior, callousness, better interpersonal skills, low anxiety, more lifestyle stability, and a higher level of cognitive ability (Yildirim and Dirksen, 2015a; b). The secondary psychopath is characterized as displaying a hostile interpersonal attitude, impulsive recklessness, not reflective of their behavior, dysfunction in the regulation of emotions, coupled with harboring higher anxiety and may experience strong emotions of

frustration (Palmen et al., 2020). This quality may explain why these psychopaths “remain prisoners of the present, unable to project into the future and foresee the consequences of their actions and lacking a capacity to reflect upon the past in any meaningful way” so that they can learn from their mistakes and avoid repeating them (Gacono and Meloy, 2012, p. 49).

In summary, what we may be observing is a controlled, corporate psychopathic leader who skillfully utilizes interpersonal and affective traits to charm, manipulate themselves into a position of power, displays charisma, self-confidence and conscientiousness, not hindered by emotions of fear, stress or by feelings of empathy, remorse, better controls over their behavior and decision-making (Palmen et al., 2020). Moreover, these individuals are motivated by seeking power and may prefer to be in control over others and situations; the need for domination strongly underlies the attractiveness to maneuver into positions of power (Palmen et al., 2020).

### **Successful Psychopathy**

There are more people in the business world who would score high in the psychopathic dimension than in the general population, and that are located in organizations whereby the nature of their position, have power and control over other people and the opportunity to satisfy personal agendas whether legal or not (Deutschman, 2005). Moreover, “there is some overlap between things psychopaths and executives do, at least on the surface ... the amount of damage a high-level bad hire can do to the organization can be significant” (Babiak and Hare, 2006, p. 239). Commentators suggest that “one way to respond to the potential financial havoc resulting from unlawful decisions within an organization is through a deeper understanding of the individuals” who are referred to as successful psychopaths (Babiak et al., 2010, p. 175). The terms corporate, organizational, and industrial psychopaths are appropriately used interchangeably with the term successful psychopath (Smith and Lilienfeld, 2012).

Successful psychopaths are members of the general population who usually possess psychopathic traits potentially attaining success in certain domains of life; they are capable of engaging in work considered high paying by being functionally adaptive in their work life (Howe et al., 2014). The profile of the psychopathic leadership type is a manifestation of successful psychopathy (Palmen et al., 2020). An issue that arises is how to define success in ‘successful’ psychopathy. So far, the literature has not been able to decide on a common definition for success in this context but most conceptualizations define successful psychopathic individuals as those better at evading incarceration (Perri, 2021). Dr. Cynthia Mathieu offers insights on defining what success means in terms of psychopathy:

If success is defined by the accomplishment of one’s goal, then psychopathic individuals, by definition, are often successful. That is, they are successful at manipulating others into getting what they want, whatever the cost might be to others. Their ability to charm, manipulate, and lie to others, coupled with the fact that their lack of empathy and guilt and failure to accept responsibility for their actions, gives psychopathic individuals the upper hand to attain their goals, by any means possible (Mathieu, 2016).

In exploring why organizations promote successful psychopaths, organizations tolerate unethical practices because they favor manipulative, egotistical, and self-centered managerial behavior that probably reflects the behaviors acceptable to other executives and the board of directors (Perri, 2021). Corporate psychopaths maintain multiple identities at length such as the façade they establish with coworkers and management of being the ideal employee and future leader which can prove effective, particularly in organizations experiencing turmoil and seeking a “knight in shining armor” to fix the company (Babiak and O’Toole, 2012). Psychopathic traits such as charm, charisma, and manipulation skills can be instrumental in the workplace, especially to promote oneself for leadership positions (Palmen et al., 2020).

Successful psychopaths rates high in aggressiveness, excitement-seeking activity, achievement orientation, self-discipline, and low in traits such as altruism, compliance, and modesty coupled with more likely being low on moral emotion by any definition, thus they may be aware of social norms of right and wrong, but do not care. (Walker and Jackson, 2016). They may articulate what they believe to be socially appropriate responses to moral issues, and may be able to fake such responses, but they are unlikely to feel emotions that are associated with morality. It is easy to mistake psychopathic traits for specific leadership traits and a successful corporate psychopath’s attributes such as grandiosity, confidence, good presentation skills, persuasiveness, and courage, can be mistaken with the behaviors of effective charismatic leaders (Gudmundsson and Southey, 2011).

One study assessed 203 managers and executives identified for participation in the management development program of their respective companies shed some light on the pervasiveness of psychopathic success in a corporate

setting, but also how psychopathic individuals in what can be characterized in some instances as leadership positions are perceived (Babiak et al., 2010). In the study, individuals scoring high on a measure of psychopathy held senior managerial positions or were identified as high potentials for leadership positions were invited to participate in management development programs. Moreover, participants were highly educated, with 1% possessing a two-year degree, 77.8% had four-year degrees, and 21.2% possessed PhD, legal, or medical degrees. The vast majority of scores, about 80%, were between zero and three out of a possible top score of 40. However, nine of the participants (4.4%) scored 25 or higher and eight of these nine participants (3.9%) scored 30 or higher—which is the common research threshold for psychopathy. Also, two of these nine participants scored a 33, and one scored a 34.

Ironically, the study suggests that psychopathic managers rise rapidly through organizational ranks into positions of power because traits of charm and grandiosity are mistaken for leadership potential and they may display good communication skills, strategic thinking and creativity. At the same time, psychopathy scores were associated with poor management style, failure to act as a team player, and poor performance appraisals while manipulation skills are mistaken for good persuasion skills. To organizations, these individuals' irresponsibility is interpreted as giving the appearance of a risk-taking, entrepreneurial spirit—highly prized in today's business environment; their thrill-seeking behavior is mistaken for high energy, enthusiasm, and the ability to multitask (Babiak and O'Toole, 2012).

## **VI. Psychopathic Corporate Leadership and White-Collar Crime**

The business world is an attractive environment for those psychopathic individuals to considering white-collar crime due to perceptions of mild legal punishments coupled with the risk assessment of low detection (Palmen et al., 2020). Although very little is known about the “prevalence, strategies, and consequences of psychopathy in the corporate world” (Babiak et al., 2010, p. 175), successful corporate psychopaths display tendencies toward fraud and irresponsible leadership and increased incidences of white-collar crime (Gudmundsson and Southey, 2011). Corporate psychopathy is correlated to dysfunctional leadership (Mathieu et al., 2014b) and to bullying and abusive supervision behavior (Mathieu and Babiak, 2016). They are unconcerned if their corporate fraud steals a client's life savings rendering them destitute, or if their hostile interpersonal behavior, such as bullying, makes subordinates miserable in the workplace coupled with the fact that bullied subordinates may be expected to participate in fraud schemes (Perri, 2021).

Successful corporate psychopathy is correlated to unethical behavior in organizations contributing to workplace misconduct (Walker and Jackson, 2016). Emerging studies have found a highly significant correlation between corporate psychopaths and an organization's cultural acceptance of white-collar crime to financially exploit organizations and people (Lingnau et al., 2017). Successful psychopaths are more apt to engage in white-collar crimes due to their intelligence, education, less unstable lifestyle choices, more conscientiousness, and better behavioral controls coupled with harboring criminal thinking traits such as a willingness to exploit vulnerable situations without remorse (Gao and Raine, 2010). Ironically, the skills that make the successful psychopath so unpleasant and sometimes abusive in society can facilitate a career in business even in the face of negative performance ratings (Babiak and Hare, 2006).

What situation means is that organizational cultures favoring a manipulative and self-centered managerial style, as long as corporate objectives are met, ignore psychopathic tendencies because their qualities are viewed as a desired asset—in essence their negative qualities are overlooked because the good they bring to the table outweighs the bad. Organizational cultures that have no issues with unethical and improper practices reward ruthless conduct and create the ideal environment for corporate psychopaths to thrive and take advantage of compromised ethical climates. Psychopathic behaviors that have been normalized, tolerated, and even valued within organizations and organizational chaos provide sufficient cover for their psychopathic manipulation and abuse of power (Pardue et al., 2013a; b). In a corrupt organization, for example, the emotionless, power-oriented, aggressive psychopath may be viewed as a good corporate citizen, provided these qualities are displayed toward targets outside the organization rather than the membership and leadership of the organization itself. Further illustrating this insight is criminal psychologist Dr. Cynthia Mathieu:

Organizations want to see the candidate's aggressiveness, remorselessness and “bending the rules” attitude being used against their competition, not towards their own organization ... They are only after one thing: their own benefit and they will not feel any remorse for defrauding their own company ... Still, some label individuals who defraud organizations and clients and who are abusive towards others in the workplace “successful psychopaths”. While the end result may be associated with success for the individual, who may obtain hierarchical status, money and power, success needs to be also related to the process through which individuals achieve these goals ... While

it may be tempting to hire candidates with psychopathic traits, these “bad boys” will not act faithfully and honestly towards the organizations, regardless of how well the organization is treating them (Mathieu, 2016).

Corporate psychopathic offenders are partially responsible for organizational white-collar crime because they search for weakness and vulnerability in other people and/or organizations to exploit, such as an organization’s weak internal controls (Hakkanen-Nyholm and Nyholm, 2012). Executives with such traits display a “self-centered manipulation and lack integrity that can bring down an entire corporation, causing financial and emotional damage to thousands or tens of thousands—think Enron” (Schouten and Silver, 2012, p. 147). These leaders list short-term achievements, but long-term can potentially destroy the internal culture and spirit of an organization. Moreover, the links between psychopathy and white-collar crime leads to the “deterioration of an ethical climate in the corporate context, thus facilitating criminal actions within corporations” (Lingnau et al., 2017, p. 1213). Some psychopathic individuals prosper in corporate settings, particularly if their work thrives on an emotionless style with a consistent focus on achievement. In fact, some business cultures value profit above all regardless of how it is attained, thus a psychopath’s moral deficits may be regarded as beneficial to the organization.

As a result, psychopathic traits do not necessarily impede progress and advancement in corporate organizations. Yet psychopaths are just as likely to engage in corporate misbehavior within the firm as they are with the firm’s clients. What organizations that employ psychopaths fail to understand is that these employees are not only making money at the expense of others outside of the organization, but they are also out to exploit their employers through fraud (Perri, 2021). The reality is, it is a human tendency to see more of the positive attributes of an individual and fail to recognize negative qualities that may be real but hidden from observation especially when there is the perception that a person is benefiting us (Schouten and Silver, 2012). The psychopathic corporate white-collar offender is the kind of individual that can give others a good impression, have a charming facade, and look and sound like the ideal corporate leader (Steinberger, 2004). However, behind this mask, they have a dark side that is deceitful, promotes fraud in the organization, and steals the company’s money (Steinberger, 2004).

Leadership displaying psychopathic traits set a tone that suppresses subordinate discussion that is contrary to their own positions, expect unquestioned loyalty from subordinates, they provide poor personnel management and mismanage resources while participating in fraudulent activities (Boddy et al., 2015). Moreover, compensation structures that value profits and stock price above all enable the deviant behavior of corporate psychopaths by giving them the latitude for destructive leadership behavior especially in the absence of institutionalized rules or formal limits on leader prerogatives, delegated authority, and reward systems (Gudmundsson and Southey, 2011). The psychopathic offender can look and sound like the ideal corporate leader, however, behind this mask lurks a dark side that is deceitful, promotes fraud, and misappropriates company assets (Steinberger, 2004). Leadership with such traits display a “self-centered manipulation and lack integrity that can bring down an entire corporation, causing financial and emotional damage to thousands” (Schouten and Silver, 2012, p.147).

Leaders high in psychopathic traits display obsessions with being in control, showed extreme ambition, demanded admiration by others, and exhibited entitled behavior were at risk for conducting acts of fraud, embezzlement or other forms of white-collar crime (Palmen et al., 2020). Links between psychopathy and corruption lead to the “deterioration of an ethical climate in the corporate context, thus facilitating criminal actions within corporations” (Lingnau et al., 2017, p. 1213). Today’s corporate psychopathic leader is highly educated and capable of circumventing financial controls to commit fraud (Babiak and O’Toole, 2012) and may be more apt to engage in fraud due to their intelligence, blunted emotions toward the concern for others, education, less unstable lifestyle choices, more conscientiousness, and better behavioral controls (Gao and Raine, 2010). Corporate psychopathic offenders search for weakness and vulnerability in other people and or organizations to exploit, such as an organization’s weak internal controls to commit their frauds (Hakkanen-Nyholm and Nyholm, 2012).

Organizational cultures rewarding ruthless conduct create the ideal environment for corporate psychopaths to thrive and exploit compromised ethical climates. Psychopathic behaviors that have been normalized, tolerated, and even valued within organizations coupled with organizational chaos provides sufficient cover for their psychopathic manipulation and abuse of power (Perri, 2021). Corporate psychopaths manipulate power holders so they also can acquire power and when necessary, fail to protect subordinates, and rely on intimidation despite being initially charming and engaging in the short-term; over time, their true colors may be revealed through recklessness and broken commitments.



Psychopaths are behaviorally antisocial by nature which leads to antisocial interpersonal strategies, abusive tactics, and attitudes that may be the most difficult to realign with company goals (Mathieu et al., 2012).

If psychopathy reflects an absence of emotion, conscience, and empathy, what replaces these human qualities and what is the link to corrupt psychopathic corporate offenders? What replaces one's inability to authentically harbor emotions to guide behavior is a desire for power, dominance, control, and exploitation over others and situations for selfish reasons (Perri, 2014). For psychopathic individuals, life is reduced to a contest and human beings are nothing more than game pieces to be moved about, used as shields, or destroyed—it is about winning to satisfy an intrapsychic need (Stout, 2005). Put another way, “for psychopaths, power can be experienced only in the context of victimization: If they are to be strong, someone else must pay. There is no such thing, in the psychopath's universe, as the merely weak; whoever is weak is also a sucker that is someone who demands to be exploited” (Reiber, 1997, p. 47).

Domination displayed by leadership includes aggressive interpersonal tactics such as manipulation, fear, and punishment—observable behaviors when organizations perpetuate fraud by sending the message to control others that they should not interfere with their agenda. In order to force corruption compliance, bullying tactics include being overly argumentative, excessive rudeness, terminations, public humiliation, and verbal abuse with the goal of taking advantage of their power status by overwhelming subordinates (Jones and Jones, 2014). Consider bankrupt computer disk drive maker MiniScribe's convicted CEO Quentin Wiles. Described as a tyrant that instilled fear in the hearts of employees, he would have employees stand up in front of everyone to be fired. When asked why he chose this management style, he answered, “That's just to show everyone I'm in control of the company” (Jennings, 2006, p. 67).

### **The Case of Jeffrey Skilling**

Jeffrey Skilling is an American former businessman and convicted fraud offender best known as the CEO of Enron Corporation during the Enron scandal revealed in 2001. In 2006, he was convicted of federal fraud charges relating to Enron's collapse and eventually sentenced to prison. Financial statement fraud occurred at Enron over many years which distorted the true financial health of the organization. Thousands of investors lost money and thousands of employees lost their jobs together with their pensions if they invested in Enron stock with the encouragement of Enron's senior management. Interestingly, Skilling was also known as “The Prince”, named after the book *The Prince* written by political philosopher Niccolò Machiavelli (Schwartz, 2002). Subordinates too were “instructed to read *The Prince* from beginning to end” (Tourish and Vatcha, 2005, p. 462). One former Enron executive read the book stated that it “helped in understanding better how to deal with Mr. Skilling [because] when Jeff started to take over, I felt like I was being eaten alive” (Perri, 2013, p. 340). Another former Enron vice president, in describing Enron's Machiavellian tone from the top where the ends justify the means stated, “You can break the rules, you can cheat, you can lie, but as long as you make money, it's alright” (Sims and Brinkmann, 2003, p. 250).

In terms of who Skilling wanted to be surrounded by, he “hired people who were very young, because very young people did not insist on coming in at nine or leaving at five, or on keeping things as they had always been, or, for that matter, on questioning authority once they had signed on with him” (Swartz and Watkins, 2003, p. 58). Moreover, he “hired Ivy League graduates with a hunger for money that matched his” and who considered themselves to be the best and brightest motivated to advance their own agendas (Sims and Brinkman, 2003, p. 170). Skilling perpetuated a focus on short-term transactional goals and “did everything he could to surround himself with individuals who had similar values,” by hiring employees that “embodied his beliefs that he was trying to instill aggressiveness, greed, a will to win at all costs, and an appreciation for circumventing the rules” (Sims and Brinkmann, 2003, p. 251). In addition, Skilling promoted fierce competition among subordinates by pitting them against each other expecting others to adopt this philosophy (McLean and Elkind, 2003). His worldview shaped Enron's culture more than any other executive as one commentator observed:

Skilling sought to shape Enron into something akin to a pure state of nature where individuals could advance themselves—and the company stock—unencumbered by the typical restraints found in corporate civilization ... Vicious competition among employees was a natural outgrowth of the Skilling approach ... Skilling encouraged the dog-eat-dog culture, and it reflected his own survival-of-the-fittest mentality (Callahan, 2004, p. 129).

Skilling engaged in bullying and intimidating behaviors to gain subordinate and external party compliance on how he wanted Enron to be perceived by the public. Consider the comments of *Fortune* magazine writer, Bethany McLean, who interviewed Skilling about accounting and financial irregularities that she observed at Enron. She reported that

“Skilling became irate, calling her ignorant and unethical for asking such questions [about Enron’s practices]” (Fersch, 2006, p. 119). When McLean first broke the story about Enron’s questionable financial practices, she was referred to as someone who “doesn’t know anything,” and attorney Loretta Lynch, in questioning Enron’s practices, was referred to as “an idiot” (Sims and Brinkmann, 2003, p. 248). Skilling expected subordinates to follow directives regardless of their ethicality. Consider the case of Vince Kaminski, head of Enron’s risk assessment group, responsible for conducting due diligence on the firm’s proposed deals (Beenen and Pinto, 2009).

Kaminski examined one of CFO Andrew Fastow’s business proposals, but believed it reflected flawed accounting methodologies and was contrary to the company’s code of ethics that turned out to be criminal in nature. When Skilling learned that Kaminski disapproved of CFO Fastow’s proposals he approached Kaminski stating “there have been some complaints, Vince, that you’re not helping people to do transactions. Instead, you’re spending all your time acting like cops. We don’t need cops Vince” (Palmer, 2012, p. 202). Skilling later notified Kaminski that he was being transferred out of the risk assessment group to a research unit which was considered a dead-end job; the message was sent to others who may have wished to interfere with his agenda (Beenen and Pinto, 2008). Skilling displayed callousness and a lack of empathy coupled with a worldview that “all that matters is money” appears to be constant whether as a student at Harvard or as CEO, as observed by his professor at the Harvard Business School.

Professor John LeBoutillier asked Skilling when he was a young man at Harvard “what he would do if his company were producing a product that might cause harm—or even death—to the customer that used it” (Hoyk and Hersey, 2011, p. 54). Skilling reportedly responded, although denied by him, “I’d keep making and selling the product. My job as a businessman is to be a profit center and to maximize return to the shareholders” (p. 54). Skilling displayed deceitful behavior. Consider that when he tried to launch the broadband business, he claimed that it would be worth billions of dollars and to prove it to the public, investors and Wall Street analyst were invited to Enron’s headquarters in Texas (Farrell, 2006). He refitted office space at Enron’s headquarters in order to impress outside parties that were going to publish their observations in financial periodicals. When Skilling walked alongside stock analysts in January 1998, frantic employees filled the room. And the room was filled with the excitement of all the business that was occurring; they worked the telephones, typed orders into their computers, and appeared to be negotiating with clients (Farrell, 2006).

Enron spent half a million dollars outfitting the war room to look like the center of an, albeit false, thriving enterprise where employees painted the phones black, computers were flashing up statistics and charts to make it appear like real transactions were occurring, while secretaries were recruited from other floors to pretend that they were part of the business team (Farrell, 2006). Skilling even had a rehearsal the day before to make sure that all went smoothly and as employees were staging a mock event, they even decorated their trading desks with family photos. Often psychologists do not have the opportunity to interview individuals, thus must rely on observing anecdotal evidence to offer opinions on subjects they are asked to observe. Harvard University professor and clinical psychologist Dr. Ellsworth Fersch reviewed the evidence on what happened at Enron and Skilling’s role in its ultimate demise. Dr. Fersch observed:

Skilling displayed the traits of a corporate psychopath. He was manipulative, glib, superficial, egocentric, shallow, and impulsive, and he lacked guilt, remorse and empathy. Skilling had the nerve to ruin thousands of people’s lives by committing insider trading and fraud. Billions of dollars were lost overnight including retirement and life savings. Furthermore, Skilling claimed to be innocent and said he was the victim. Since Skilling was a high-level executive at Enron, he knew that illegal business practices were going on and could have easily stopped or reported them. Instead, he became so carried that he could not stop his illegal activities, in court Skilling told lie after lie. Convicted nonetheless, he faced decades in prison (Fersch, 2006, p. 107).

### **VIII. Conclusion**

Even though prototypical high-status offenders, such as CEOs and CFOs, represent only a fraction of the actual number of fraud offenders, their isolation for study is warranted given the power they wield in relation to their decision-making authority. Empirical tools are available and a control group of convicted white-collar offenders who were in leadership positions are in prison and might agree to being assessed for psychopathy just as there are numerous studies that have measured the level of psychopathy in violent offenders in prison. For example, interest persists in measuring the degree of psychopathy present in violent offenders by using the previously mentioned psychopathy diagnostic tool called the Psychopathic Checklist Revised, the PCL-R, developed by internationally renowned psychopathy expert, Dr. Robert Hare.

Consider the PCL-R scores of these serialists: Ted Bundy scored a 34, John Wayne Gacy scored a 27, Edmund Kemper scored a 26, Jeffrey Dahmer scored a 23, and Gary Ridgeway scored a 19 (Brooks et al., 2020) while female serialist Aileen Wournos scored a 32 (Myers et al., 2005). Recall the Babiak and colleagues study (2010), where two corporate participants received a PCL-R score of 33 and one received a score of 34. We need to start applying the PCL-R or other reliable psychopathic measures to white-collar offenders and corporate leadership to the Jeffrey Skilling and Bernard Madoffs of the world who are capable of financially exploiting and at times destroying organizations and harming people.

The ability of corporate psychopaths to thrive wherever there may be hierarchical structures presents the most significant global threat to ethical leadership prompting an important new direction in leadership research. The psychopathic leader has a unique combination of traits that enables and drives such a leader to be successful in a position of power and the differentiating trait in the profile of the psychopathic leader may be the trait of high self-control. Although a precise profile for the psychopathic leader is not yet empirically established, present scholarship does offer a plausible behavioral template to begin the analysis given what is understood as to the different psychopathic subtypes. They may display antisocial behavior, but also good interpersonal functioning and emotional stability which is consistent with Cleckley's portrayals of antisocial behavior that is hidden behind a mask of normalcy.

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