

THE SHADOW SIDE OF LEADERSHIP

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1

THE LEADER'S LIGHT OR SHADOW

LEARNING OBJECTIVES

- 1.1. Defend the importance of examining the dark side of leadership.
- 1.2. Explain how leaders cast shadows when they fail to meet the six ethical challenges of leadership.

WHAT'S AHEAD

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

A DRAMATIC DIFFERENCE/THE DARK SIDE OF LEADERSHIP

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

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

For most of us, *leadership* has a positive connotation. We have been fortunate enough to benefit from the guidance of teachers or coaches, for example, or we admire noteworthy historical leaders. However, Palmer urges us to pay more attention to the shadow side of leadership.

Political figures, parents, clergy, and business executives have the potential to cast as much shadow as they do light. The higher the position, the greater the leader's discretion or latitude to do harm.² Refusing to face the dark side of leadership makes abuse more likely. All too often, leaders "do not even know they are making a choice, let alone reflect on the process of choosing."³

Harvard professor Barbara Kellerman believes that limiting our understanding of leadership solely to good leadership ignores the reality that a great many leaders engage in destructive behaviors.⁴ Overlooking that fact, Kellerman says, undermines our attempts to promote good leadership:

I take it as a given that we promote good leadership not by ignoring bad leadership, nor by presuming that it is immutable, but rather by attacking it as we would a disease that is always pernicious and sometimes deadly.⁵

A growing number of scholars recognize the dark or negative dimension of leadership, which should better equip us to cast light rather than shadow. Most researchers use the term "destructive" to describe the dark side of leadership, though others use such labels as "toxic," "bad," "poor," "abusive," "despotic," and "tyrannical." Destructive leadership encompasses a wide variety of negative behaviors, ranging from playing favorites, manipulation, and deception to hostile words to bullying and physical violence. (See Box 1.1, "Destructive Leadership Behaviors: A Sampler."). Such actions, which are carried out over an extended period of time, harm the organization and/or followers by subverting organizational goals and by damaging the well-being and effectiveness of subordinates.⁶

BOX 1.1

DESTRUCTIVE LEADERSHIP BEHAVIORS: A SAMPLER

Arrogant	Micromanagers
Untrustworthy	Unjust
Hateful	Law and norm breakers
Power hungry	Thieves
Selfish	Inconsistent
Manipulative	Incompetent
Rude	Rigid
Bullies	Intemperate
Relentless	Callous
Single-minded	Corrupt
Abusive	Insular
Hostile	Evil
Dishonest	Negligent

Divisive	Sexual harassers
Cowards	Demeaning

Sources

Kellerman, B. (2004). *Bad leadership: What it is, how it happens, why it matters*. Harvard Business School Press.

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

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Tepper, B. J. (2000). Consequences of abusive supervision. *Academy of Management Journal*, 43(2), 176–190.

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Investigations into the destructive side of leadership reveal:

1. *Destructive leadership is widespread.* Negative leadership is found throughout every type of group, organization, and movement in every segment of society. Both prominent and ordinary leaders can be destructive. A great many followers have firsthand experience with the dark side of leadership. Sixty-one percent of respondents in a Norwegian study, for example, reported that their immediate supervisors had engaged in ongoing destructive behavior over the past six months.⁷ Abusive supervision is so widespread that a number of states and European nations have introduced or passed Healthy Workplace Laws designed to protect employees from hostile, bullying bosses.⁸
2. *Destructive leadership is costly.* Followers and organizations suffering under destructive leaders pay a high price. Dozens of studies link destructive leadership to a wide variety of negative outcomes.⁹ Those serving under destructive leaders have negative attitudes toward their superiors, resist their leaders' influence attempts, and are reluctant to go beyond their job descriptions to achieve organizational goals. Those serving under destructive leaders also engage more frequently in counterproductive/deviant work behaviors like stealing, taking long breaks, working slowly, and verbally harassing coworkers. In addition, these followers have negative attitudes toward their jobs and their organizations. Not only does their work performance decline, but their personal well-being and home life also suffer as they experience negative emotions and stress.
3. *A little destructive leadership goes a long way.* When it comes to leadership, the bad is often stronger than the good. A couple of bad behaviors can be enough to label a leader as destructive, even though they might also have lots of positive qualities. A small increase in the level of destructive leadership results in a significant increase in deviant work behavior among followers.¹⁰

4. *Destructive leadership is passive as well as active.* When it comes to destructive leadership, passivity (“sins of omission”) can be as damaging as activity (“sins of commission”).¹¹ Passive or laissez-faire leaders fail to exercise leadership. They abdicate their authority and ignore their responsibilities. They refuse to make decisions, don’t provide rewards for good performance or hold subordinates accountable for poor performance, intervene only when problems demand their attention, don’t provide guidance and support to employees, and so on. As a consequence, individual and collective performance suffers. Stress levels increase, because followers don’t understand how to carry out their roles and how to work effectively with colleagues. Stress, in turn, produces conflict, conflict that builds to harmful levels because negligent leaders don’t intervene.
5. *The harm caused by destructive leadership can be minimized.* Destructive leadership is not likely to disappear anytime soon. Nevertheless, individuals, groups, organizations, and societies can take steps to reduce its frequency and severity. Destructive leadership can be addressed, first of all, through prevention. Avoid placing destructive individuals in leadership roles and encourage leaders to put the needs of followers first and to keep their emotions in check. Set up systems that deter destructive behavior. Second, detect harmful behavior when it occurs. Encourage transparency and create clear lines of accountability. Create watchdogs to monitor the behavior of top leadership and support those who blow the whistle on unethical behavior. Third, address the damage caused by destructive leaders. Investigate what happened, assess the harm done, and create an action plan for addressing the harm going forward.¹²

In sum, Palmer was right to emphasize the importance of the shadow side of leadership. Followers from around the world have lots of firsthand experience with bad leaders and report that such leaders cause significant, long-lasting damage at work and at home. (Complete Self-Assessment 1.1 to determine if your leader earns the “destructive” label.) In the next section of the chapter, we’ll delve deeper into the dark side of leadership, looking at how leaders cast shadows when they fail to meet the special ethical challenges that come with taking a leadership role.

SELF-ASSESSMENT 1.1

DESTRUCTIVE LEADER BEHAVIOR SCALE

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

1	2	3	4	5
Never				Very Often

1. Avoids addressing important issues
2. Denies subordinates things they are entitled to (e.g., lunch breaks, vacation time)
3. Disciplines subordinates a long time after the rule infraction occurs
4. Discounts feedback or advice from subordinates
5. Fails to defend subordinates from attacks by others
6. Fails to give subordinates credit for jobs requiring a lot of effort
7. Falsely accuses or punishes subordinates for something they were not responsible for
8. Ignores phone calls and/or emails
9. Inadequately explains performance reviews
10. Insults or criticizes subordinates in front of others
11. Invades subordinates' privacy
12. Is confrontational when interacting with subordinates
13. Says one thing and does another
14. Shows no clear standards for administering rewards and punishments
15. Accepts financial kickbacks
16. At times, appears to be under the influence of alcohol or recreational drugs while at work
17. Breaks the law while at work
18. Falsifies documents
19. Lets violations of company policy slide
20. Litters the work environment
21. Steals company funds
22. Steals company property and resources
23. Tells people outside the job what a lousy place they work for
24. Uses company property for personal use
25. Violates company policy/rules
26. Brings inappropriate sexual material to work (e.g., pornography)
27. Engages in romantic and/or sexual relationships with others from work
28. Hints that sexual favors will result in preferential treatment

Scoring

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

Looking Deeper

How destructive is your leader? Where does this person rate highest on the three types of destructive behavior? Lowest? Which destructive behaviors are the most damaging? What impact does destructive leadership have in the workplace? In the classroom? In volunteer organizations?

Source

Thoroughgood, C. N., Tate, B. W., Sawyer, K. B., & Jacobs, R. (2012). Bad to the bone: Empirically defining and measuring destructive leader behavior. *Journal of Leadership & Organizational Studies*, 19, 230–255, p. 241. Used with permission of the publisher.

THE LEADER'S SHADOWS

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

The Shadow of Power

Power is the foundation for influence attempts. The more power we have, the more likely others are to comply with our wishes. That makes power central to leadership, since leaders, who have more power than followers, exercise influence on behalf of the group. The fact that leadership cannot exist without power makes some Americans uncomfortable. We admire powerful leaders who act decisively but can be reluctant to admit that we have and use power. Sadly, our refusal to face up to the reality of power can make us more vulnerable to the shadow side of leadership. Cult leader Jim Jones presided over the suicide-murder of 909 followers in the jungles of Guyana. Perhaps this tragedy could have been avoided if cult members and outside observers had challenged Jones's abuse of power.¹³ Conversely, ignoring the topic of power prevents the attainment of worthy objectives, leaving followers in darkness. Consider the case of the community activist who wants to build a new shelter for homeless families. He can't help these families unless he skillfully wields power to enlist the support of local groups, overcome the resistance of opponents, raise funds, and secure building permits.

Power comes from a variety of sources. One typology, for example, divides power into two categories: hard and soft.¹⁴ *Hard power* uses inducements (bonuses, raises) and threats (arrests, firings) to get people to go along. *Soft power* is based on attracting others rather than forcing them or inducing them to comply. Leaders use soft power when they set a worthy example, create an inspiring vision, and build positive relationships with subordinates. Typically, those without formal authority rely more heavily on soft power, but even those in formal leadership positions, such as military officers, try to attract followers by acting as role models and emphasizing the group's mission. Effective leaders combine hard and soft power into *smart power* to achieve their goals. For instance, a manager may try to persuade an employee to follow a new policy while at the same time outlining the penalties the subordinate will face if they do not comply.

The most popular power classification system identifies five power bases.¹⁵ *Coercive power* is based on penalties or punishments such as physical force, salary reductions, student suspensions, or embargoes against national enemies. *Reward power* depends on being able to deliver something of value to others, whether tangible (bonuses, health insurance, grades) or intangible (praise, trust, cooperation). *Legitimate power* resides in the position, not the person. Supervisors, judges, police officers, drill sergeants, instructors, and parents have the right to control our behavior within certain limits. A boss can require us to carry out certain tasks at work, for

example, but in most cases, they have no say in what we do in our free time. In contrast to legitimate power, *expert power* is based on the characteristics of the individual regardless of that person's official position. Knowledge, skills, education, and certification all build expert power. *Referent (role model) power* rests on the admiration one person has for another. We're more likely to do favors for a supervisor we admire or to buy a product promoted by our favorite sports hero.

Leaders typically draw on more than one power source. The manager who is appointed to lead a task force is granted legitimate power that enables her to reward or punish. Yet in order to be successful, she'll have to demonstrate her knowledge of the topic, skillfully direct the group process, and earn the respect of task force members through hard work and commitment to the group. Unfortunately, leaders can also use a variety of power sources to harm their followers; see, for example, Case Study 1.1, “#UsToo Meets #MeToo: The Ohio State Men's Sex Abuse Scandal.”

The use of each power type has advantages and disadvantages. For instance, the dispensing of rewards is widely accepted in Western culture but can be counterproductive if the rewards promote the wrong behaviors (see Chapter 10) or go to the wrong people. U.S. workers are more satisfied and productive when their leaders rely on forms of power that are tied to the person (expert and referent) rather than forms of power that are linked to the position (coercive, reward, and legitimate).¹⁶ In addition, positional power is more susceptible to abuse. Coercive tactics have the potential to do the most damage, threatening the dignity as well as the physical and mental health of followers. Leaders, then, have important decisions to make about the types of power they use and when.

In addition to recognizing the importance of power and deciding what types of power to use, leaders must also examine their motivation for seeking power and recognize the dangers of wielding power. Some leaders seek power for selfish reasons—to enrich or glorify themselves, to exert control, to punish others, and so on. (I'll have more to say about unhealthy motivations in the next chapter.) They are corrupted before being gaining power.¹⁷ Sadly, those most eager to become leaders—to head up the class project group, to become a manager, to be elected—often pose the greatest threat when they move into those roles.

Even people who desire power in order to serve can be corrupted by moving into power positions, falling victim to the *power paradox*.¹⁸ The power paradox describes how people gain power through focusing on the needs of others and advancing the good of the group but lose sight of that fact when they move into leadership roles. Feeling powerful, they become less dependent on others, lose their ability to empathize, and shift attention to meeting their own needs, resulting in abuses of power. They lose their moral compass and engage in more unethical, selfish, impulsive behaviors like sexual affairs, shoplifting, lying, and violating traffic laws. (In one creative experiment, researchers crouching behind bushes found that those driving luxury high-power cars were much more likely to drive through crosswalks when pedestrians were present.)

Many corporate leaders have been intoxicated by their power, using their positions to abuse their subordinates. One such boss wouldn't grant time off so an employee could be with her dying grandmother, saying, “Well she's not dead yet, so I don't have to grant your leave.” Another called the paramedics when an employee had a heart attack and then ordered everyone else to go back to work even as the victim was still lying on the floor. Another wouldn't let an injured employee get treatment for a broken ankle until she had first finished processing invoices. Yet

another berated and humiliated a subordinate who suffered an emotional breakdown and had to be hospitalized. His response? “I can’t help it if she is overly sensitive.”¹⁹

The cost of the petty tyranny of bad bosses is high. Victims suffer low self-esteem, psychological distress, and poorer health; are less satisfied with their jobs and lives; are less productive; and are more likely to quit. The work unit as a whole is less trusting and cohesive, reducing collective performance.²⁰ Researchers have yet to report any positive outcomes of abusive supervision. Instead, studies conducted in several different countries link oppressive supervision to depression, emotional exhaustion, counterproductive work behavior, job tension, and feelings of injustice.²¹

Workers respond to tyranny by surrendering their personal beliefs, keeping a low profile, engaging in revenge fantasies, taking indirect revenge (i.e., not supporting the boss at a critical moment), challenging the supervisor directly, or bringing in outsiders (such as the human resources department or the boss’s boss) to get help in dealing with the abusive leader.²² They also spend a lot of time bemoaning how they are being treated. The majority of employees in one project reported spending 10 or more hours every month complaining about abusive and other kinds of bad bosses or listening to the complaints of fellow workers.²³

The dangers of power are compounded by the fact that having power feels good (producing dopamine in the brain), making it hard to give up. Those in power protect their positions by attacking those they perceive as threats. They tend to make biased judgments, because they generally make little attempt to find out how followers think and feel, and they act on faulty stereotypes. Powerful people are convinced that they deserve their high status because powerless people aren’t as capable as they are. They are also more likely to believe that others like them (even when they don’t).²⁴ (Complete Self-Assessment 1.2 to determine how powerful you feel.)

SELF-ASSESSMENT 1.2

SENSE OF POWER SCALE

Instructions

In rating each of the items below, please use the following scale.

1. = Disagree strongly
2. = Disagree
3. = Disagree a little
4. = Neither agree nor disagree
5. = Agree a little
6. = Agree
7. = Agree strongly

In my relationships with others:

- _____ 1. I can get them to listen to what I say.
- _____ 2. My wishes do not carry much weight. (reverse)

- ____ 3. I can get them to do what I want.
- ____ 4. Even if I voice my views, they have little sway. (reverse)
- ____ 5. I think I have a great deal of power.
- ____ 6. My ideas and opinions are often ignored. (reverse)
- ____ 7. Even when I try, I am not able to get my way. (reverse)
- ____ 8. If I want to, I get to make the decisions.

Scoring

Reverse your scores on the items indicated and add up your score (range 8–56). The higher the score, the greater your sense of personal power.

Looking Deeper

What does your score reveal about your feeling of power or of powerlessness? What accounts for your rating? What is your motivation for seeking and using power? What ethical issues might you face in exercising power or in dealing with a lack of power? How might you avoid abusing power?

Source

Anderson, C., John, O. P., & Keltner, D. (2012). The personal sense of power. *Journal of Personality, 80*(2), 313–344, p. 344. Copyright 2010 by Cameron Anderson, Oliver P. John, and Dacher Keltner. Reprinted by permission of the authors.

The greater a leader's power, the greater the potential for abuse. This prompted Britain's Lord Acton to observe that "power corrupts, and absolute power corrupts absolutely." The long shadow cast by absolute power, as in the case of North Korea's Kim Jong-Il, can be seen in censorship, repression, torture, imprisonment, murder, and starvation. Rwanda's president Paul Kagame, another dictator who wields total power, reportedly kicks, punches, and whips military personnel and government officials who displease him and imprisons anyone who criticizes his regime. He sends hit squads to other nations to kill political enemies and former allies who have fled the country.²⁵ Businesses and other organizations foster centralization of power through top-down structures that emphasize status differences, loyalty, dependence, fear, and obedience while celebrating "tough" bosses and business practices like hard bargaining and aggressive marketing tactics.²⁶

Power deprivation exerts its own brand of corruptive influence. Followers with little power become fixated on what minimal influence they have, becoming cautious, defensive, and critical of others and new ideas. In extreme cases, they may engage in sabotage, such as when one group of fast-food restaurant employees took out their frustrations by spitting and urinating into the drinks they served customers. (Box 1.2, "The High Cost of Powerlessness," describes the damage done when the poor suffer from lack of power.)

To wield power wisely, leaders have to wrestle with all the issues outlined here. They have to recognize the importance of power and consider what types of power they should use and when and for what purposes. In particular, they have to meet social, not personal, needs when exercising power. Destructive leaders want power *over* followers to meet their selfish interests. Ethical leaders desire power in order to work *through* followers to help the group achieve its collective goals.²⁷ When in power, moral leaders practice humility, recognizing that power is a gift. They demonstrate respect for followers and stay focused on giving to others. Finally, leaders must recognize and resist the dangers posed by possessing power while making sure that followers aren't corrupted by having too little.

Fortunately, there is evidence, when it comes to power, that a great number of leaders are casting light rather than shadow. They use power to achieve worthy purposes. Many recognize that sharing power prevents power abuses and improves organizational performance. Executives at Johnsonville Sausage, Patagonia, SAS, food processor Morning Star, and other successful organizations have relinquished much of their legitimate, coercive, award, and expert power bases to lower-level leaders. At many other companies, self-directed work teams have taken over functions—hiring, scheduling, quality control—that used to be the province of mid- and lower-level managers.

BOX 1.2

THE HIGH COST OF POWERLESSNESS

People experiencing powerlessness pay a high price, according to University of California psychologist Dacher Keltner. Those living in low-income (low-power) neighborhoods face more threats from pollution, high levels of lead in their homes and water, and hazardous waste. They are more likely to live near noisy freeways, train tracks, and factories and face more surveillance from the police. They also face threats from powerful people who abuse their power through rudeness, hostility, and other impulsive behaviors. The poor become hypervigilant as a result, expressing more mistrust of authorities and perceiving threats when there are none. Powerlessness also makes people more reserved—less likely speak up, to express emotions, and to act.

Being threatened produces stress that triggers the release of cortisol into the bloodstream. Cortisol readies the body to fight or flee. High levels of cortisol heighten vigilance while shutting down many of the elements that help individuals engage with the world, such as those that facilitate making good decisions, having a sense of purpose, and enjoying life.

Powerlessness also has direct impact on physical health. Poor mothers are more likely to have premature and underweight babies, who then suffer from asthma, obesity, and other health problems later in life. Being born poor raises the chances of dying of disease, cardiovascular illness, and stroke by 20% to 40%, reducing life expectancy by six years.

Karcher cautions us not to underestimate the negative effects of powerlessness. Instead, recognize that disempowering others does significant damage. Take steps to lower the cost of powerlessness by fighting racism, sexism, inequality, and other threats

to people's identity while giving more voice and opportunities to the previously disenfranchised. Provide tools to the less powerful that will help them cope with their stresses, such as exercise programs, relaxation techniques, green spaces, and healthier homes.

Source

Keltner, D. (2016). *The power paradox*. Penguin.

The Shadow of Privilege

Leaders almost always enjoy greater privileges than followers do. Generally, the greater the leader's power, the greater the rewards they receive. Consider the earnings of corporate CEOs, for example. Top business leaders in the United States are the highest paid in the world. After a brief dip during the pandemic, the average pay for chief executives of the top 100 largest U.S. firms skyrocketed, reaching over \$27 million (including salary, bonuses, stock, and stock option grants).²⁸ This drove the gap between CEO pay and median-worker compensation to 399:1. In a recent salary survey, the highest-paid CEOs were Intel's Patrick Gelsinger (\$177 million), Apple's Tim Cook (\$98 million) and Broadcom's Hock Tan (\$60 million). Elon Musk and France's Bernard Arnault compete for the title of the world's richest person, with their net worth fluctuating from well over \$100 billion to over \$200 billion. The top 1% of Americans now own nearly a third of the nation's wealth.

Nonprofit leaders can also abuse the perks that come from their positions of influence. A number of nonprofit executives make over \$1 million, including the leaders of the World Wildlife Fund, the National Urban League, and the Alzheimer's Association. The highest-paying nonprofits are largely in health care, with Kaiser CEO Greg Adams earning over \$13 million. Hospital CEOs continued to receive bonuses even as front-line workers were furloughed or received pay cuts during COVID-19.²⁹ (Case Study 1.2, "Living Like a Billionaire at the NRA," describes how leaders at one powerful nonprofit took advantage of their positions to enrich themselves.)

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

Warren Buffet, Sheryl Sandburg, and Mark Zuckerberg, have pledged to give the vast majority of their wealth to philanthropic causes.

The Shadow of Mismanaged Information and Disinformation

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

No wonder leaders are tempted to think ignorance is bliss! If all these challenges weren't enough, leaders face the very real temptation to lie. At other times, leaders are eager to hide the truth. For instance, former New York governor Andrew Cuomo is accused of concealing the number of deaths in nursing homes during the COVID pandemic to protect his image and for political gain. Managers at the Veterans Administration falsified patient access records to disguise the long wait times facing veterans seeking medical treatment. Then, too, leaders play a key role in spreading disinformation, such as conspiracy theories, climate change denial, and anti-vaccination messages, that they may believe to be the truth. (We'll take a closer look at how we can combat disinformation in Chapter 7.)

Leaders are also faced with questions related to the gathering, use, and release of information. Employers, for example, are collecting more and more information about employee behavior. Estimates are that 75% to 80% of large U.S. companies track employee internet use, log keystrokes, take screenshots of workers' computer screens, and track employee emails. Amazon takes employee surveillance to new levels. The company closely monitors both its warehouse workers and its delivery drivers. Handheld package scanners reveal if warehouse staff are spending too much "time off task," including trips to the bathroom. (Violators are disciplined.) Artificial intelligence (AI) cameras track the location, movements, and facial expressions of package drivers to determine if they are tired, looking at their phones, and keeping up with delivery goals.³⁰

As more employees work remotely, these surveillance techniques are being used to track their activities at home. Data once collected in the office is now being collected in bedrooms and home offices, raising concerns about invasion of privacy. Critics worry that home surveillance could be a step toward greater police and state surveillance.³¹

Employers also monitor worker behavior outside the workplace. Employees have been fired for posting offensive comments and pictures on blogs and social networks. Employers use personal information on Facebook and other social networking sites to screen out job applicants. IKEA executives in France were charged with spying on company employees, targeting union members and representatives. They hired a private security firm and illegally used confidential information drawn from police records to carry out their investigations.³²

Companies have a right to gather information in order to improve performance and eliminate waste and theft. Organizations are also liable for the inappropriate behavior of members,

such as when they send sexist or racist messages using their companies' email systems. However, efforts to monitor employee behavior are sometimes done without the knowledge of workers and are inconsistent with organizational values such as trust and community. Invading privacy takes away the right of employees to determine what they reveal about themselves; unwanted intrusion devalues their worth as individuals.

Organizations are also collecting more information about their customers and clients as well as the general public, driven in large part by technological advances. Ancestry.com, 23andMe, and other DNA-testing companies are building databases that can be accessed by drug companies and law enforcement. (The suspected Golden State Killer was identified through genetic profiles housed at GEDmatch.) Big data, the collection and computer analysis of massive amounts of information, enables leaders to create detailed profiles of us without our knowledge. (Case Study 1.3, "Keeping Players Hooked," describes the controversy surrounding the use of data analytics in the gambling industry.) Law enforcement officers in the United States use facial recognition technology to track criminal suspects. The Chinese government uses facial recognition to monitor its citizens—for example, to ensure that its citizens don't jaywalk or use too much toilet paper. Drones now make it possible for law enforcement personnel and private citizens to secretly film our homes and backyards from the sky. Our interactions with police officers are likely to be recorded now that body cameras are becoming standard equipment for many police departments.

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

- deny having knowledge that is in their possession,
- hide the truth,
- mislead listeners,
- fail to reveal conflicts of interest,
- withhold information that followers need,
- release information to the wrong people,
- put followers in ethical binds by preventing them from releasing information that others have a legitimate right to know,
- fail to evaluate the quality of evidence and arguments,
- uncritically share disinformation,
- secretly collect information,
- employ data to profile and discriminate,
- break laws regulating the collection and use of information,
- fail to secure data,
- fail to protect people from inaccurate data,

- use information solely for personal or organizational benefit,
- violate the privacy rights of followers and outsiders, and
- use information to harm followers and the public.

The Shadow of Inconsistency

Leaders deal with a variety of constituencies, each with its own set of abilities, needs, and interests. In addition, they like some followers better than others. Leader–member exchange (LMX) theory is based on the notion that a leader develops a closer relationship with one group of followers than with others.³³ Members of the “in-group” become the leader’s advisers, assistants, and lieutenants. High levels of trust, mutual influence, and support characterize their exchanges with the leader. Members of the “out-group” are expected to carry out the basic requirements of their jobs. Their communication with the leader is not as trusting and supportive. Not surprisingly, members of in-groups are more satisfied and productive than members of out-groups. For that reason, LMX theorists encourage leaders to develop close relationships with as many of their followers as possible.

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

Diverse followers, varying levels of relationships, and elements of the situation make consistency an ethical burden of leadership. Should we, as leaders, treat all followers equally, even if some are more skilled and committed or closer to us than others? When should we bend the rules, and for whom? Shadows arise when leaders appear to act arbitrarily and unfairly when faced with questions such as these, as in the case of a resident assistant who enforces dormitory rules for some students but ignores infractions committed by friends. Of course, determining whether a leader is casting light or shadow may depend on where you stand as a follower. If you are the star player on your team, you may feel justified taking it easy during practices. If you are less talented, you probably resent the fact that the team’s star doesn’t have to work as hard as you.

Too often, inconsistency arises between what leaders advocate and how they behave, such as when rabbis and pastors have affairs at the same time they are encouraging members of their congregations to build strong marriages. During the COVID pandemic, leaders from around the world bent the rules they imposed on followers. British prime minister Boris Johnson was fined for holding parties during the country’s lockdown, and one of his key aides traveled hundreds of miles (with COVID-19 symptoms) during the country’s lockdown. New Zealand’s health minister violated strict stay-at-home orders by walking on the beach and mountain biking. A Japanese prosecutor resigned after he failed to social distance when gambling.³⁴

In recent years, a number of prominent figures have taken inconsistency to a new level. Former Speaker of the House Dennis Hastert advocated for stronger punishment for sex crimes and sexual abuse of children while paying hush money to a man he molested when working as a high school wrestling coach. Comedian Bill Cosby criticized fellow African Americans for not taking personal responsibility and for bad parenting but was convicted and then cleared of charges of drugging and raping a series of women. Former Liberty University president Jerry

Falwell Jr. drank alcohol, was pictured with his zipper down, and tolerated his wife's affair even though students at his school are prohibited from drinking, engaging in premarital sex, and consuming media with sexual content and nudity.

Issues of inconsistency can also arise in a leader's relationships with those outside the immediate group or organization. Misgivings about the current system of financing political elections stem from the fact that large donors can buy access to elected officials and influence their votes on everything from tax breaks to environmental regulations and zoning laws.

The Shadow of Misplaced and Broken Loyalties

Leaders must weigh a host of loyalties or duties when making choices. In addition to their duties to employees and stockholders, they must consider their obligations to their families, their local communities, their professions, the larger society, and the environment. Noteworthy leaders put the needs of the larger community above selfish (organizational, personal) interests. For example, outdoor clothing manufacturer Timberland receives praise for its commitment to community service and social responsibility. Company leaders pay employees for volunteer service, partner with community groups, and support nonprofit organizations through the sale of selected products. In contrast, those leaders who appear to put their own interests first are worthy of condemnation. Former Environmental Protection Administration (EPA) administrator Scott Pruitt was one such leader. Pruitt spent his two years on the job during the Trump administration putting his interests ahead of those of his agency, taxpayers, and the environment. His abuses included flying home to Oklahoma at taxpayer expense, assigning staff members to run personal errands, hiring a full-time security detail, spending \$10,000 to remodel his office, and accepting Rose Bowl tickets from a PR firm representing oil-and-gas companies. When called on by Congress to defend his actions, Pruitt blamed his staff.³⁵

Loyalties can be broken as well as misplaced. If anything, we heap more scorn on those who betray our trust than on those who misplace their loyalties. Many of history's villains are traitors: Judas Iscariot, Benedict Arnold, Vidkun Quisling (he sold out his fellow Norwegians to the Nazis), and Tokyo Rose, a U.S. citizen who broadcast to American troops on behalf of the Japanese during World War II. More recently, Afghan president Ashraf Ghani violated the trust of followers when he secretly fled his country as his government collapsed, leaving other officials to negotiate with the Taliban. College conference commissioners, athletic directors, coaches, and fans felt betrayed when Texas and Oklahoma fled the Big 12 conference for the SEC (Southeastern Conference) and the University of Southern California and UCLA suddenly announced they were leaving the Pacific 12 conference to join the Big 10 (to be joined later by the University of Oregon and the University of Washington).

The most egregious cases of betrayal are cases where adults take advantage of children. Catholic priests in the United States, Brazil, Chile, Australia, Ireland, Germany, and elsewhere used their positions as respected spiritual authorities to gain access to young parishioners for sexual gratification. Church leaders failed to stop the abusers or themselves engaged in abuse. In far too many instances, they let offending priests continue to minister and to have contact with children. Often, church officials transferred pedophile priests without warning their new congregations about these men's troubled pasts.

Philosopher George Fletcher argues that we define ourselves through our loyalties to families, sports franchises, companies, and other groups and organizations.³⁶ Fellow philosopher Josiah Royce contends that loyalty to the right cause produces admirable character traits like justice, wisdom, and compassion.³⁷ Loyalty is a significant burden placed on leaders. In fact, well-placed loyalty can make a significant moral statement. Such was the case with Pee Wee Reese. The Brooklyn Dodger never wavered in his loyalty to Jackie Robinson, the first Black player in baseball's major leagues. In front of one especially hostile crowd in Cincinnati, Ohio, Reese put his arm around Robinson's shoulders in a display of support.³⁸

The Shadow of Irresponsibility

Earlier, we observed that breadth of responsibility is one of the factors distinguishing between the role of leader and that of follower. Followers are largely responsible for their own actions or, in the case of a self-directed work team, for those of their peers. This is not the case for leaders. They are held accountable for the performance of entire departments or other units. However, determining the extent of a leader's responsibility is far from easy. Can we blame a college coach for the misdeeds of team members during the offseason? Are clothing executives responsible for the actions of their overseas contractors who force workers to labor in sweatshops? Do employers owe employees a minimum wage level, a certain degree of job security, and safe working conditions? If military personnel are punished for following unethical orders, should those who issue those orders receive the same or harsher penalties?

Leaders act irresponsibly when they fail to make reasonable efforts to prevent misdeeds on the part of their followers, ignore or deny ethical problems, don't shoulder responsibility for the consequences of their directives, deny their duties to followers, or try to deflect blame onto others. We don't hold coaches responsible for everything their players do. Nonetheless, we want them to encourage their athletes to obey the law and to punish any misbehavior. Most of us expect the Gap, Nike, JCPenney, Walmart, and Banana Republic to make every effort to treat their overseas labor force fairly, convinced that the companies owe their workers (even the ones employed by subcontractors) decent wages and working conditions. When an organization's employees break the law or make mistakes, we want the group's leader to take accountability, as in the case of former FBI director Christopher Wray. He apologized to female gymnasts for his agency's "inexcusable" failures in its investigation of sexual abuse by USA Gymnastics team doctor Larry Nassar, which allowed Nassar to continue to molest team members.³⁹

Unfortunately, far too many leaders try to pin the blame on others for their misdeeds or the unethical behavior of their organizations. Facebook's Sheryl Sandberg deflected blame by hiring a public relations firm to attack critics of the company.⁴⁰ The fossil fuel industry promotes the idea that consumers are responsible for greenhouse emissions, not the companies that produce oil and natural gas. Anti-litter campaigns tell people that it's their job to pick up food wrappers rather than the responsibility of fast-food restaurants to generate less waste.⁴¹

Many corporate scandals demonstrate what can happen when boards of directors fail to live up to their responsibilities. Far too many boards in the past functioned only as rubber stamps. Made up largely of friends of the CEO and those doing business with the firm, they were quick to approve executive pay increases and other management proposals. Some board

members appeared interested only in collecting their fees and made little effort to understand the operations or finances of the companies they were supposed to be directing. Other members were well intentioned but lacked expertise. Now federal regulations require that the chair of a public corporation's audit committee be a financial expert. The compensation, audit, and nominating committees must be made up of people who have no financial ties to the organization. These requirements should help prevent future abuses, but only if board members take their responsibilities seriously. (I'll have more to say about effective corporate governance in Chapter 10.)

These, then, are some of the common shadows cast by leaders faced with the ethical challenges of leadership. Identifying these shadows raises two important questions: (1) *Why is it that, when faced with the same ethical challenges, some leaders cast light and others cast shadows?* (2) *What steps can we take as leaders to cast more light than shadow?* In the next chapter, we will explore the forces that contribute to the shadow side of leadership and outline ways to meet those challenges.

FOCUS ON FOLLOWER ETHICS

THE ETHICAL CHALLENGES OF FOLLOWERSHIP

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

The Challenge of Obligation. Followers contribute to a shadowy atmosphere when they fail to fulfill their minimal responsibilities by coming to work late, taking extended breaks, not carrying out assignments, undermining the authority of their leaders, stealing supplies, and so on. However, they can also contribute to an unethical climate by taking on too many obligations, as in the case of employees forced to work mandatory overtime or staff working from home who feel they are always tethered to their jobs by their phones and computers.

Followers also have ethical duties to outsiders. Carpenters and other tradespeople involved in home construction have an obligation to buyers to build high-quality houses and to meet deadlines, for instance. Government employees owe it to taxpayers to spend their money wisely by working hard while keeping expenses down.

These questions can help us sort out the obligations we owe as followers:

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

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

The Challenge of Cynicism. There is a difference between healthy skepticism, which prevents followers from being exploited, and unhealthy cynicism, which undermines individual and group performance. Followers darken the atmosphere when they become organizational cynics. That's because cynicism destroys commitment and undermines trust. Collective performance suffers as a result. Few give their best effort when they are disillusioned with the group. Cynical employees feel less identification with and commitment to their employers while being more resistant to change; they are less likely to go beyond their job duties to help their colleagues and their organizations. The greater the degree of cynicism, the more employees direct their effort toward attacking the organization at the expense of completing the task at hand.

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

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

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

Source

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IMPLICATIONS AND APPLICATIONS

- Understanding the dark (bad, toxic) side of leadership is the first step in promoting good or ethical leadership.
- The contrast between ethical and unethical leadership is as dramatic as the contrast between light and darkness.
- Destructive leadership, whatever the label, encompasses a variety of negative behaviors. Destructive leadership is widespread and costly and can take passive as well as active form. A few destructive leader behaviors can outweigh many positive qualities, but the harm caused by destructive leadership can be minimized.
- Certain ethical challenges or dilemmas are inherent in the leadership role. If you choose to become a leader, recognize that you accept ethical burdens along with new tasks, expectations, and rewards.
- Power can have a corrosive effect on values and behavior. You must determine how much power to accumulate, what forms of power to use, and how much power to give followers.
- If you abuse power, you will generally overlook the needs of followers as you take advantage of the perks that come with your position.
- Leaders have access to more information than do followers. In addition to deciding whether to hide or tell the truth, you'll have to determine when to reveal what you know and to whom, how to gather and use information, and so on. Also, take care not to spread damaging disinformation.
- A certain degree of inconsistency is probably inevitable in leadership roles, but you will cast shadows if you are seen as acting arbitrarily and unfairly. You must also attempt to match your behavior with your words and values—to “walk your talk.”

- As a leader, you'll have to balance your needs and the needs of your small group or organization with loyalties or duties to broader communities. Expect condemnation if you put narrow, selfish concerns first.
- Leadership brings a broader range of responsibility, but determining the limits of accountability may be difficult. However, you will cast a shadow if you fail to make a reasonable attempt to prevent abuse or to shoulder the blame, deny that you have a duty to followers, or deflect blame onto others.
- Followers face their own set of ethical challenges. When filling a follower role, you will need to determine the extent of your obligations to the group, decide when to obey or disobey, combat cynicism, offer dissent, and deliver bad news to your leaders.

FOR FURTHER EXPLORATION

1. Create an ethics journal. In it, describe the ethical dilemmas you encounter as a leader and as a follower, how you resolve them, how you feel about the outcomes, and what you learn that will transfer to future ethical decisions. You may also want to include your observations about the moral choices made by public figures. Make periodic entries as you continue to read this text.
2. Look for examples of unethical leadership behavior in the news and classify them according to the six shadows. What patterns do you note? As an alternative, look for examples of ethical leadership. How do these leaders cast light instead of shadow?
3. Harvard professor Rosabeth Kanter argues that “powerlessness corrupts and absolute powerlessness corrupts absolutely.” Do you agree?
4. What factors do you consider when determining the extent of your loyalty to an individual, a group, or an organization?
5. Debate the following propositions in class:
 - When it comes to leadership, the bad outweighs the good.
 - The federal government should set limits on executive compensation.
 - Coaches should be held accountable for the actions of their players in the offseason.
 - Married politicians and religious figures who have extramarital affairs should be forced to resign.
 - Employers have the right to monitor the behavior of employees when the workers are not on the job.
6. Write a research paper on the privacy issues surrounding drones, police body cameras, or the use of DNA databases in criminal investigations. Conclude with a set of recommendations on how these issues should be resolved.
7. What is the toughest ethical challenge of being a follower? How do you meet that challenge?

STUDENT STUDY SITE

Visit the student study site at <https://study.sagepub.com/johnsonmecl8e> to access full SAGE journal articles for further research and information on key chapter topics.

CASE STUDY 1.1

#USTOO MEETS #METOO: THE OHIO STATE MEN'S SEX ABUSE SCANDAL

The conviction of Michigan State doctor Larry Nassar for sexually abusing over 300 female gymnasts, including Olympians, made national and international headlines. However, Nassar is not the only serial sexual predator to take advantage of university athletes. Nassar's trial and the women's #MeToo movement prompted men, most of them former members of the Ohio State wrestling and football teams, to come forward to report that they too had been sexually abused, declaring #UsToo. Dr. Richard Strauss, a team doctor and physician, initially was accused of molesting over 177 men between the late 1970s and 1990s, committing at least 1,429 cases of fondling and 47 cases of rape. (The number of victims later soared to well over 300.) Strauss would conduct genital exams regardless of the ailment. He would use headaches, foot injuries, sore throats, and other complaints as an excuse to inspect and grope the genitals of patients.

A number of factors allowed Strauss to continue his long career as a sexual predator. To begin, muscular young athletes tend to see themselves as tough and stoic, not as sex abuse victims, and so Strauss's targets kept silent. They didn't want to report Strauss for fear of being labeled as "gay." Many didn't fully realize that they had been assaulted until years later. Members of the wrestling team used humor to deal with the doctor's "handsy" behavior, calling Strauss "Mr. Jelly Fingers" and "Dr. Drop-Your-Drawers." Athletes were also reluctant to speak up for fear of violating their loyalty to Ohio State's athletic "Buckeye culture." In the 1980s, society didn't recognize the reality of same-gender sexual assaults, particularly against males in prime physical condition. Even today, many observers blame the survivors, refusing to believe that wrestlers and NFL-bound football players didn't fight back against the doctor, who barely weighed 140 pounds. They don't realize that victims, regardless of size or gender, freeze up during an assault and focus on survival.

Strauss was skilled at controlling his victims. Because he was a physician, many of his patients didn't question his judgment. He claimed that genital exams were a legitimate form of treatment, that he was "just being thorough." Not only was he an OSU-certified physician, but he also served on the medical commission of the International Olympic Committee. When one wrestler asked, "You really need to me to undress to treat my elbow, Doc?" Strauss said, "Nick, I'm a doctor. Who are you to question me?"¹ As one expert notes, "How do you punch a doctor in the face when he's [claiming to be] 'treating' you?"² Then, too, as team doctor, Strauss was a gatekeeper, determining who could stay on their teams and keep their scholarships. According to Mark Coleman, who went on to win an NCAA wrestling title and to compete in the Olympics, "This guy controlled my future. We all put up with it. For me, it was like, *just clear me so I can go win an NCAA title and make the Olympic team, you know?*"³

Strauss was also a source of performance-enhancing drugs (PEDs) and an expert on using them. The threat of being cut off from their supply of steroids helped ensure the silence of many athletes and perhaps some coaches.

Neither Ohio State coaches nor administrators acted to stop Strauss. One wrestler reports being kicked off the team after complaining to the head coach about the doctor. A number of former wrestlers report that assistant coach Jim Jordan, now a congressional representative from Ohio, knew about Strauss's behavior but ignored it, a charge that the Congressman vehemently denies. In 1994 the fencing coach complained about Strauss's exams to the OSU athletics medical director, but the director dismissed the claims as having no merit. That same year, Strauss was given permission to start a men's clinic for student health services despite the complaints of the fencers and other students. In 1998 Strauss was honored with emeritus status upon his retirement. In 2005 he committed suicide. It wasn't until 2018 that former athletes brought suit against OSU, and the university commissioned an outside law firm to investigate. In its report, the firm said that more than 40 Ohio State coaches, administrators, and athletic directors failed to respond to complaints about Strauss.

Strauss's victims suffered significant damage. Many quit the wrestling team; others dropped out of school. Decades later survivors report they can't sleep, are taking anxiety medications, and struggle with sexual performance. Some feel guilty for not speaking up, thus subjecting later athletes to abuse. They regret that they were denied the chance to confront their abuser in court, as Nassar's survivors did. Ohio State officials have expressed "deep regret and apologies" to those abused and claimed that the university is now a "much different place."⁴ The university agreed to pay plaintiffs who sued the school \$250,000 each.

Strauss is gone, but not the danger of male same-sex sexual assault. According to the Department of Justice, males 18 to 24 years old attending college are 78% more likely to be the survivors of rape or sexual assault than nonstudents of the same age.

Discussion Probes

1. What forms of power did Dr. Strauss use to control his victims?
2. Why do you think Ohio State officials failed to stop Dr. Strauss despite complaints?
3. Do societal norms still make it harder for male victims of sex abuse to come forward?
4. How can we protect ourselves from medical personnel who might abuse their power?
5. What steps is your college or university taking to protect its athletes from sexual assault? To protect other students? Is there any more it could do?

Notes

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CASE STUDY 1.2

LIVING LIKE A BILLIONAIRE AT THE NATIONAL RIFLE ASSOCIATION

Leaders of nonprofit organizations are not supposed to live like billionaires. But don't tell that to National Rifle Association (NRA) chief Wayne LaPierre. LaPierre, the head of the world's most powerful gun lobby since 1991, enjoys a "billionaire lifestyle."¹ Paid over \$2 million a year, he spent \$275,000 of NRA funds on designer clothes (\$39,000 in one shopping spree) and on flying to vacation destinations on private planes. At one point, he wanted the organization to buy him a \$6 million Dallas mansion in a gated community, complete with a private golf course. Other leaders also lived large at the NRA. Eight NRA executives outearned the CEO of the Red Cross, another nonprofit with 10 times the revenue. In addition, some NRA staff and board members had lucrative side deals with NRA vendors.

Under LaPierre's leadership, the NRA scored a number of impressive political victories. Congress prohibited research into deaths by gun violence, ended a ban on assault-type weapons, and refused to require universal background checks for gun purchases. Legislatures in Florida and a number of other states expanded laws allowing gun owners to carry concealed weapons and to use lethal force if they feel threatened. Thanks to the NRA, Republicans refused to pass stricter gun control measures after the killing of 26 children at Sandy Hook elementary school. When Donald Trump (who was elected with the help of \$30 million from the NRA) appeared ready to support new gun laws, LaPierre convinced him to back down. The legislation never made it to the president's desk.

The NRA's successes apparently inflated LaPierre's ego, encouraging him to use the organization as his "personal piggy bank."² After devoting his life to the organization, the CEO thinks he is indispensable to its survival. Thus, he is convinced he deserves generous perks.

Lapierre defends his spending on expensive clothing, for example, by saying that he needs to dress well as the “face of the brand.” His former second-in-command put it this way:

Wayne feels he has sacrificed everything to the NRA. That he *is* the NRA. That he is owed something, somehow . . . And that is how he justifies his action in his mind. Why do I think that? Because I heard it from him for years.”³

Delta Airlines, Wells Fargo, and other companies dropped their partnerships with the NRA after the 2018 Stoneman Douglas high school massacre in Parkland, Florida. NRA president Oliver North attempted to oust LaPierre in 2019, alleging incompetence and corruption. The board ousted North instead. The organization sued its longtime public relations partner Ackerman McQueen, accusing it of billing for work done for other clients and failing to provide billing records. Ackerman quickly countersued. The NRA lost \$100 million in revenue and maxed out its \$25 million credit line. LaPierre laid off 100 headquarters staff and froze pensions.

Turmoil at the NRA drew the attention of the public and legal authorities to LaPierre’s lavish spending and to financial improprieties at the organization. Attorney General Letitia James of New York, where the NRA is chartered, sued to dissolve the organization based on a pattern of corruption and misspending. In a press conference announcing the suit, she declared that the NRA “has operated as a breeding ground for greed, abuse and brazen illegality.”⁴ She also sued LaPierre and three other current or former NRA executives, accusing them of “looting” the organization. The suit alleges that the NRA CEO (1) paid \$13.5 million on a personal travel consultant, based largely on no-bid contracts, (2) took frequent trips to the Bahamas at NRA expense, (3) spent time on a yacht (complete with a chef) owned by an NRA contractor, (4) gave lavish gifts from Neiman Marcus and Bergdorf Goodman to close friends and associates, (5) put up his niece at a Four Seasons hotel for eight nights at a cost of over \$12,000, and (6) accepted gifts of hairstyling and makeup for his wife.

The other executives stand accused of incompetence, hiding conflicts of interest, and receiving pay for work not performed. Attorney General James asked that the four pay penalties of \$64 million and be barred from serving on nonprofit boards in New York. In response, LaPierre led the NRA into bankruptcy (without telling many of the organization’s board members), hoping to reorganize in more gun-friendly Texas. However, the Texas judge rejected the bankruptcy motion on the grounds that the group filed for bankruptcy solely to avoid the New York lawsuit.

LaPierre is determined to hang on to his position despite the mounting legal and financial crisis. He is willing to pay the price to do so, including turning on former allies. He told a reporter, “If I lose every friend, I’m prepared to do it.”⁵ Yet, even if he retains power, many of the NRA’s 5 million loyal, dues-paying members feel betrayed by their leaders.

Discussion Probes

1. Why does success sometimes lead to ethical failure?
2. What leadership shadows do you see cast in this case?
3. Should there be limits on how much nonprofit executives make and the benefits they receive? What should those limits be?
4. How can we prevent leaders from justifying excess based on their importance to the organization? How can we prevent ourselves from doing so?
5. If the NRA survives, what will it take to restore the trust of members?

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CASE STUDY 1.3

KEEPING PLAYERS HOOKED: BIG DATA AND ONLINE GAMBLING

Few industries can match the growth of global online gambling, soon projected to generate \$87 billion a year. Great Britain is the world's largest app gambling market. (Four of the top five free sports apps on Britain's Apple app store are gaming related.) UK gambling companies own and sponsor soccer teams and advertise heavily during televised sporting events. In the United States, more states are legalizing sports and other forms of online betting.

Data analytics or big data is key to the success of online gaming. Online gambling sites start collecting information the moment a player visits. To set up an account, users must report their age, gender, location, and occupation, which is enough to "tell a company a huge amount about their behavior and expectations."¹ Data collection continues as players stay on the site. Casinos can monitor how long players spend playing a game, how much they spend, and so on. Some gambling operators, like Great Britain's Sky Bet, turn to other companies for additional data, buying personal information on browsing history, debts, spending patterns, and bank accounts as well as identification numbers for devices and where they were used. Sky Bet tells those who are uncomfortable with the information the company collects about them to stop using their services and to close their accounts.

Gambling firms collect information in part to comply with regulations and to prevent fraud. They must verify that players are over 21 (the legal online gambling age), make sure players can legally gamble in their states, and keep individuals from participating who earlier opted out from playing due to a gambling problem (self-excluded). Security personnel also try to spot credit card fraud and bonus abuse, such as when bettors use a variety of email addresses to claim bonuses offered by their sites.

The value of big data goes well beyond meeting regulatory requirements and fighting scams. Data analytics enables casinos to track popular games on competitors' websites, to identify the demographics of their players, and to make their websites easier to navigate. Firms also use this information for marketing and promotion, attracting and retaining players in what leaders at Sky Bet describe as "an increasingly saturated market with limited brand loyalty."² However, critics contend that online gambling sites misuse data analytics to keep vulnerable players hooked. Problem gamblers, an estimated 10 million people in the United States alone, are addicted to the thrill of gaming. They continue to play until they have bankrupted their families, sometimes stealing money from their employers and committing suicide. Instead of using big data to keep these addicts off their sites, online gaming companies often personalize their marketing to these "high-value" customers through bonus coupons, reducing the odds, targeting promotions to their interests, and so forth.

Britain's House of Lords found that 60% of the gambling industry's profits come from the 5% of customers who are either problem gamblers or are in danger of falling into this category. The chair of the committee investigating the social and economic impact of the gambling industry called for "urgent action" by the government "to put the welfare of gamblers ahead of industry profits." To this end, committee members recommended:

- outlawing products that appear to be highly addictive
- requiring operators to determine if customers can afford to play and banning those who can't
- forbidding gambling advertising in any sports venue
- ensuring that online games can't be played quicker than in-person games (which results in players losing more money in a shorter amount of time)

Discussion Probes

1. Are you uncomfortable about the information that companies collect about you? Have you taken any steps to limit the amount of information you reveal online or in person?
2. Have you ever been on a gambling app? What was this experience like?
3. What, if any, limits should there be on how much information the gambling industry can collect about players?
4. Do the operators of gambling apps have a moral responsibility to use data analytics to prevent problem gamblers from using their sites? Should they be held legally liable if they encourage problem gamblers to keep playing?
5. Should leaders in other countries adopt the gaming industry regulations proposed by the House of Lords?

Notes

¹IndustryTrends. (2023, January 11). *How big data analytics are transforming the global gambling industry*. Analytics Insight.

²*How deep customer understanding differentiates Sky Bet in a saturated market*. (2019, July 15). Alida.com.

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