The Leader’s Light or Shadow

We are not angels, but we may at times be better versions of ourselves.

Historian Erwin Hargrove

What’s Ahead

This chapter introduces the metaphor of light and shadow to highlight the ethical challenges of leadership. Leaders have the power to illuminate the lives of followers or to cover them in darkness. They cast shadows when they (a) abuse power, (b) hoard privileges, (c) engage in deceit, (d) act inconsistently, (e) misplace or betray loyalties, and (f) fail to assume responsibilities.

A Dramatic Difference

In an influential essay entitled “Leading From Within,” educational writer and consultant Parker Palmer introduced 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 either be as illuminating as heaven or as shadowy as hell. A leader must take special responsibility for what is going on inside his or her own self, inside his or her consciousness, lest the act of leadership create more harm than good.1
Psychotherapist Carl Jung was the first social scientist to identify the shadow side of the personality. He used the term to refer to the subconscious, which could include both negative (greed, fear, hatred) and positive (creativity, desire for achievement) elements. Unlike Jung and other researchers who use the shadow label to refer to the hidden part of the personality, both good and bad, Palmer equates shadow with destruction. Palmer and Jungian psychologists agree, however, on one point: if we want to manage or master the dark forces inside us, we must first acknowledge that they exist. For this reason, Palmer urges us to pay more attention to the “shadow side” of leadership. Political figures, classroom teachers, parents, clergy, and business executives have the potential to cast as much shadow as light. Refusing to face the dark side of leadership makes abuse more likely. All too often, leaders “do not even know they are making a choice, let alone how to reflect on the process of choosing.”

When we function as leaders, we take on a unique set of ethical challenges in addition to a set of expectations and tasks. These dilemmas involve issues of power, privilege, deceit, consistency, loyalty, and responsibility. How we handle the challenges of leadership will determine if we cause more harm than good. Unless we’re careful, we’re likely to cast one or more of the shadows described in the next section.

The Leader’s Shadows

The Shadow of Power

Power is the foundation for influence attempts. The more power we have, the more likely others will comply with our wishes. Power comes from a variety of sources. The most popular power classification system identifies five power bases. Coercive power is based on penalties or punishments like physical force, salary reductions, student suspensions, or embargoes against national enemies. Reward power depends on being able to deliver something of value to others, whether tangible (bonuses, health insurance, grades) or intangible (praise, trust, cooperation). Legitimate power resides in the position, not the person. Supervisors, judges, police officers, instructors, and parents have the right to control our behavior within certain limits. A boss can require us to carry out certain tasks at work, for example, but in most cases, he or she has no say in what we do in our free time. In contrast to legitimate power, expert power is based on the characteristics of the individual, regardless of his or her official position. Knowledge, skills, education, and certification all build expert power. Referent (role model) power rests on the admiration one individual 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.

There are advantages and disadvantages of using each power type. Coercion, for instance, usually gets quick results but invites retaliation and becomes less effective over time. Researchers report that U.S. workers are more satisfied and productive when their leaders rely on forms of power that are tied to the person (expert and referent) rather than on forms of power that are linked to the position (coercive, reward, and legitimate). Leaders, then, have important decisions to make about the types of power they use and when.

The fact that leadership cannot exist without power makes some Americans uncomfortable. Harvard business professor Rosabeth Moss Kanter goes so far as to declare that power is “America’s last dirty word.” She believes that for many of us talking about money and sex is easier than discussing power. We admire powerful leaders who act decisively but can be reluctant to admit that we have and use power.

Our refusal to face up to the reality of power can make us more vulnerable to the shadow side of leadership. Cult leader Jim Jones presided over the suicide of 800 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. Conversely, ignoring the topic of power prevents the attainment of worthy objectives, leaving followers in darkness. Consider the case of the community activist who wants to build a new shelter for homeless families. He can’t help these families unless he skillfully wields power to enlist the support of local groups, overcome resistance of opponents, raise funds, and secure building permits.

I suspect that we treat power as a dirty word because we recognize that power has a corrosive effect on those who possess it. We’ve seen how Richard Nixon used the power of his office to order illegal acts against his enemies and how special prosecutor Kenneth Starr wielded his authority to coerce witnesses to testify against Bill Clinton. Many of us are uneasy about new powers that have been given to law enforcement officials to fight terrorism (see the Patriot Act case at the end of the chapter).

Even highly moral individuals can be seduced by power. Former Senator Mark Hatfield is widely admired for being the only senator to oppose the Gulf of Tonkin resolution that authorized the war in Vietnam. Yet the Senate later reprimanded him for using his office to secure jobs for his wife.

Unfortunately, abuse of power is an all too common fact of life in modern organizations. In one survey, 90% of those responding reported that they had experienced disrespect from a boss at some time during their working careers.
Twenty percent of the sample said they currently work for an abusive leader. (Complete the Self-Assessment in Box 1.1 to determine if your supervisor is abusive or just tough.) “Brutal” bosses regularly engage in the following behaviors, some of which will be discussed in more detail later in the chapter:

- **Deceit.** Lying and giving false or misleading information
- **Constraint.** Restricting followers’ activities outside of work; e.g., telling them who they can befriend, where they can live, with whom they can live, and the civic activities they can participate in
- **Coercion.** Inappropriate or excessive threats for not complying with the leader’s directives
- **Selfishness.** Blaming subordinates and making them scapegoats
- **Inequity.** Supplying unequal benefits or punishments based on favoritism or criteria unrelated to the job
- **Cruelty.** Harming subordinates in such illegitimate ways as name-calling or public humiliation
- **Disregard.** Ignoring normal standards of politeness; obvious disregard for what is happening in the lives of followers
- **Deification.** Creating a master-servant relationship in which bosses can do whatever they want because they feel superior

The 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 can be seen in the torture, death, starvation, and imprisonment of millions at the hands of Hitler, Mao, Saddam Hussein, Pol Pot, Stalin, and other despots. Large differences in the relative power of leaders and followers also contribute to abuse. The greater the power differential between a supervisor and a subordinate, the higher the probability that the manager will make demands or threats when friendly, reasonable requests would work just as well and create a more positive emotional climate.

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 employees took out their frustrations by spitting and urinating into the drinks they served customers.

To wield power wisely, leaders have to wrestle with all the issues outlined above. They have to consider what types of power they should use and when and for what purposes. They also have to determine how much power to keep and how much to give away. Finally, leaders must recognize and resist the dangers posed by possessing too much power while making sure that followers aren’t corrupted by having too little.
Box 1.1
Self-Assessment

THE BRUTAL BOSS QUESTIONNAIRE

For an assessment of your current experience of abuse by superior(s) and its possible consequences for your health, well-being, and work productivity, complete the questionnaire that follows. Then find your personal rating using the scoring information which is provided on the reverse side.

Rate your boss on the following behaviors and actions. If you agree that a statement categorizes your boss, write a number from 5 to 8, depending on the extent of your agreement. If you disagree with a statement in reference to your boss, write a number from 1 to 4, depending on the extent of your disagreement.

1. My boss deliberately provides me with false or misleading information. ______
2. My boss treats me unfairly at times for no apparent reason. ______
3. My boss deceives me sometimes. ______
4. My boss deliberately withholds information from me that I need to perform my job. ______
5. My boss criticizes low-quality work from me. ______
6. My boss tells me how I should be spending my time when not at work. ______
7. My boss will “get” me if I don’t comply with her or his wishes. ______
8. My boss humiliates me in public. ______
9. My boss calls me unflattering names. ______
10. My boss requires that her or his standards be met before giving a compliment. ______
11. My boss believes that I am generally inferior and blames me whenever something goes wrong. ______
12. My boss acts as if she or he can do as she or he pleases to me, because she or he is the boss. ______

(Continued)
**Box 1.1 (Continued)**

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<thead>
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<tbody>
<tr>
<td>13.</td>
<td>My boss treats me like a servant.</td>
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<td>14.</td>
<td>My boss expects me to dress appropriately at all times.</td>
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<td>15.</td>
<td>My boss treats me unjustly.</td>
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<td>16.</td>
<td>My boss steals my good ideas or work products and takes credit for them.</td>
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<td>17.</td>
<td>My boss will make me “pay” if I don’t carry out her or his demands.</td>
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<td>18.</td>
<td>My boss displays anger publicly toward me by shouting, cursing, or slamming objects.</td>
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<td>19.</td>
<td>My boss criticizes me on a personal level rather than criticizing my work.</td>
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<td>20.</td>
<td>My boss demands that I give my best effort all the time.</td>
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<tr>
<td>21.</td>
<td>My boss is tougher on some subordinates because she or he dislikes them regardless of their work.</td>
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<tr>
<td>22.</td>
<td>My boss is discourteous toward me.</td>
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<td>23.</td>
<td>My boss is dishonest with me.</td>
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<td>24.</td>
<td>My boss shows no regard for my opinions.</td>
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<td>25.</td>
<td>My boss is deliberately rude to me.</td>
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<tr>
<td>26.</td>
<td>My boss lies to me.</td>
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<td>27.</td>
<td>My boss misleads me for her or his own benefit.</td>
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<td>28.</td>
<td>My boss insists that I work hard.</td>
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<td>29.</td>
<td>My boss places blame for her or his failures on me.</td>
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<td>30.</td>
<td>My boss openly degrades and personally attacks me.</td>
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<td>31.</td>
<td>My boss mistreats me because of my lifestyle.</td>
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<td>32.</td>
<td>My boss demands that I constantly do high-quality work.</td>
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<td>33.</td>
<td>My boss reprimands me in front of others.</td>
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<td>34.</td>
<td>My boss deliberately makes me feel inferior.</td>
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<tr>
<td>35.</td>
<td>My boss is not honest with the people who rank beneath her or him.</td>
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<tr>
<td>36.</td>
<td>My boss threatens me in order to get what she or he wants.</td>
</tr>
</tbody>
</table>
Box 1.1 (Continued)

**SCORING**

Total your responses to the following questions:

#5: ______
#10: ______
#14: ______
#20: ______
#28: ______
#32: ______

TOUGH BOSS TOTAL: ______

Now total your response to the remaining thirty questions.

BAD BOSS TOTAL: ______

**KEY**

<table>
<thead>
<tr>
<th>Tough boss total</th>
<th>Bad boss total</th>
<th>Assessment of boss</th>
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<tbody>
<tr>
<td>Between 36 and 48</td>
<td>Less than 90</td>
<td>Tough, but not abusive</td>
</tr>
<tr>
<td>Less than 36</td>
<td>Less than 90</td>
<td>Not particularly tough</td>
</tr>
<tr>
<td>Between 36 and 48</td>
<td>Between 90 and 195</td>
<td>Tough, with instances of abuse. Adverse effects on work and well-being may very well occur.</td>
</tr>
<tr>
<td>Any</td>
<td>Greater than 195</td>
<td>Abusive. Deteriorating mental and physical health and lowered productivity are associated with this level of mistreatment.</td>
</tr>
</tbody>
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THE SHADOW OF PRIVILEGE

Leaders almost always enjoy greater privileges than followers do. The greater the leader’s power, generally, the greater the rewards he or she receives. Consider the perks enjoyed by corporate CEOs, for example. Top business executives in the United States are the highest paid in the world, with the wealthiest among them receiving yearly compensation packages (salaries plus stock options) averaging $274 million. They also eat in private dining rooms and travel around in chauffeured limousines. Here are some particularly notable examples of CEO excess:

- Former Tyco CEO Dennis Kozlowski spent millions on paintings to decorate his $18 million Manhattan apartment, paying for some of this art with money from a company program developed to help employees buy Tyco stock. He then tried to avoid paying New York sales tax on his purchases. Kozlowski also collected such knickknacks as a $6,300 sewing basket and a $15,000 dog umbrella.
- Imprisoned ImClone founder Dr. Sam Waksal owned a 7,000-square-foot loft in SoHo and a place in upstate New York. He, too, had an eye for expensive art, purchasing works by de Kooning, Rothko, and Picasso for $20 million.
- John Rigas of Adelphia stole from the cable company’s coffers and gave the money to family members.
- WorldCom founder Bernie Ebbers left the bankrupt company with a guaranteed $1.5 million pension and use of the corporate jet. He can enjoy his golden years (if he’s not imprisoned) in his 17,000-square-foot house.
- General Electric’s Jack Welch’s original retirement package (which has been scaled back after public protest) included a Central Park apartment, lifetime use of the company jet, country club memberships, maid service, tickets to the opera and to New York Knicks’ home games, and furniture.
- Mattel forgave a $3 million loan to failed CEO Jill Barad, and Kmart wrote off a $5 million loan to ousted chief executive Chuck Conaway.

The link between power and privilege means that abuse of one generally leads to the abuse of the other. Leaders who hoard power are likely to hoard wealth and status as well. Focused on their own desires, they neglect the needs of followers. Some of the same business executives who wouldn’t hesitate to spend thousands on themselves make sure that their employees have to account for every penny. Former CBS executive Laurence Tisch once insisted that a company photographer finish every exposure on a roll of film before taking it out of his camera. Ted Turner returned letters without postmarks to the company mailroom and made the clerks cut off and reuse the stamps.

Leader excess is not a new phenomenon. Ancient Chinese philosophers criticized rulers who lived in splendor while their subjects lived in poverty. Old Testament prophets railed against the political and social elites of the nations of Israel and Judah, condemning them for hoarding wealth, feasting while the poor went hungry, and using the courts to drive the lower classes from their land.
The passage of time hasn’t lessened the problem but made it worse. According to the United Nations, the richest 225 people in the world have a net worth that is equal to the annual income of the poorest 2.5 billion people. The poorest of the poor literally live in a hell on earth, deprived of such basic necessities as food, shelter, clean water, and health care. The AIDS epidemic is fueled in large part by poverty. Only 4% of AIDS sufferers receive proper treatment, and most of these individuals live in industrialized countries. There is little money available in the developing world for prevention efforts or AIDS medicines. As a result, 2.2 million Africans died of AIDS in 1 year. Sixty-eight million people worldwide are expected to succumb to the disease over the next two decades.¹³

Most of us would agree that (a) leaders deserve more rewards because they assume greater risks and responsibilities, and (b) some leaders get more than they deserve. Beyond this point, however, our opinions are likely to diverge. Americans are divided over such questions as the following: How many additional privileges should leaders have? What should be the relative difference in pay and benefits between workers and top management? How do we close the large gap between the world’s haves and have nots? We’ll never reach complete agreement on these issues, but the fact remains: 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.

THE SHADOW OF DECEIT

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

No wonder leaders are tempted to think ignorance is bliss! If all of these challenges weren’t enough, leaders face the very real temptation to lie or hide the truth to protect themselves. Tobacco executives, for instance, swore before Congress that smoking was safe even though they had sponsored research that said otherwise. Bill Clinton tried to salvage his image and his presidency by proclaiming “I did not have sexual relations with that woman” (Monica Lewinsky).

The issues surrounding access to information are broader than deciding whether to lie or to tell the truth. Ethicist Sissela Bok in her book *Lying: Moral Choice in Public and Private Life* defines lies as messages designed to make
other people believe what we ourselves don’t believe. Although leaders often decide between lying and truth telling, they are just as likely to be faced with questions related to the release of information. Take the case of a middle manager who has learned about an upcoming merger that will mean layoffs. Her superiors have asked her to keep this information to herself for a couple of weeks until the deal is completed. In the interim, employees may make financial commitments (home and car purchases) that they would postpone if they knew that major changes were in the works. Should she voluntarily share information about the merger despite her orders? What happens when a member of her department asks her to confirm or deny the rumor that the company is about to merge? (Case Study 1.1 describes a particularly troubling example of how one group of leaders kept vital data to themselves.)

Privacy issues raise additional ethical concerns. Customers of US Bank were outraged to find out that the firm had sold their personal financial information to other companies. E-commerce firms routinely track the activity of Internet surfers, collecting and selling information that will allow marketers to better target their advertisements. Telephone companies can use information gathered from customers to sell additional services to these same subscribers without their knowledge. Hundreds of thousands of video cameras track our movements at ATMs, parking lots, stores, and other public places. Videotapes made for security purposes have shown up on Web sites.

In sum, leaders cast shadows not only when they lie but also when they engage in deceptive practices. Deceitful leaders

- deny having knowledge that is in their possession
- withhold information that followers need
- use information solely for personal benefit
- violate the privacy rights of followers
- release information to the wrong people
- put followers in ethical binds by preventing them from releasing information that others have a legitimate right to know
CASE STUDY 1.1

Keeping It to Themselves:
Personal Injury Lawyers and Firestone Tires

Sometimes concealing information can have deadly consequences. In 1996, a group of personal injury lawyers in Texas noticed that there were problems with Firestone ATX tires mounted on Ford Explorer sport utility vehicles. They hired a leading traffic investigator, Sean Kane, who confirmed their suspicions. The tires separated when they got hot, causing rollovers.

Kane and the attorneys kept their findings to themselves. They didn't file safety complaint forms with the National Highway Traffic Safety Administration (NHTSA) that likely would have prompted government investigations. The lawyers didn't alert NHTSA in part because they didn't trust the agency. Judges had dismissed earlier lawsuits involving tires and SUVs because NHTSA failed to find defects in the products. Attorneys also didn't think that there were enough crashes involving ATX tires to trigger a product recall. Most important, filing safety notices would reduce their chances of winning in court. Evidence that goes into the public record makes it easier for automakers to defend themselves. Personal injury lawyers typically work on a contingency basis, collecting a portion of a settlement. Defeat means that neither victims nor attorneys receive any money.

Kane did make an effort in 1998 to publicize the ATX problem without going directly to federal officials. He notified reporters at several television newsmagazines about the defect but none ran the story. In the meantime, the crashes and deaths mounted. One hundred ninety out of the 203 reported ATX tire-related deaths occurred between 1996 (when the trial lawyers first noticed the problem) and 2000, the year that NHTSA opened its investigation and millions of the defective tires were recalled. Ford got wind of problems by 1999, but its safety engineers were misled by the fact that there were very few complaints about the tires in the national database.

The trial lawyers and their consultant did not break any laws by keeping their safety concerns to themselves. They were under no legal obligation to reveal what they knew. Further, they were fulfilling their primary duty: serving the interests of their clients. The fact remains, however, that lives could have been saved had they come forward. Ricardo Martinez was administrator of the NHTSA between 1994 and 1999. He says he would have immediately ordered an investigation if he had been alerted to the tire's problems. A trauma doctor, Martinez draws this comparison between his role as a physician and the choices of the lawyers in this case:

"It's outrageous—I can't say that enough. If I saw something was killing my patients and I didn't say anything because that would reduce the demand for my services, I would be putting my benefit over the benefit of my patients and the public, and that would clearly be unethical."
DISCUSSION PROBES

1. Was the decision of personal injury lawyers to keep ATX tire problems to themselves “outrageous” and unethical? Why? Why not?

2. Evaluate the role of safety consultant Kane. What was his obligation to the attorneys? to the general public? Did he do enough by alerting reporters, but not the government, to potential problems?

3. Should attorneys be required to alert federal agencies about potential public safety problems?

4. What criteria should attorneys use to decide when the interests of the community outweigh their duties to their clients?

REFERENCE

Bradsher, K. (2001, June 24). Firestone tire flaw unreported for 4 years. The Oregonian, p. 3M.

Patterns of deception, whether they take the form of outright lies or hiding or distorting information, destroy the trust that binds leaders and followers together. Consider the popularity of conspiracy theories, for example. Many citizens are convinced that the Air Force is hiding the fact that aliens landed in Roswell, New Mexico. They also believe that law enforcement officials are deliberately ignoring evidence that John F. Kennedy and Martin Luther King were the victims of elaborate assassination plots. These theories may seem illogical, but they flourish, in part, because government leaders have created a shadow atmosphere through deceit. It wasn’t until after the First Gulf War that we learned that our “smart bombs” weren’t really so smart and missed their targets. The president and other cabinet officials apparently overstated the danger posed by Saddam Hussein in order to rally support for the Second Gulf War.

Leaders must also consider ethical issues related to the image they hope to project to followers. In order to earn their positions and to achieve their objectives, leaders carefully manage the impressions they make on others. Impression management can be compared to a performance on a stage. Leader-actors carefully manage everything from the setting to their words and nonverbal behaviors in order to have the desired effect on their follower audiences. Presidential staffers, for example, makes sure that the chief executive is framed by visual images (Mt. Rushmore, the American flag, the deck of an aircraft carrier) that reinforce his messages as well as his presidential standing. Like politicians, leaders in charge of such high-risk activities as mountain climbing or white-water kayaking also work hard to project the desired impressions. In order to appear confident and competent, they stand up straight, look
followers in the eye, use an authoritative tone of voice, talk about their wealth of experience, and calm the fears of the group.

Impression management is integral to effective leadership because followers have images of ideal leaders called prototypes. We expect that the mountain climbing guide will be confident (otherwise we would cancel the trip!), that the small-group leader will be active in group discussions, that the military leader will stay calm under fire. The closer the individual is to the ideal, the more likely it is that we will select that person as leader and accept her or his influence. Nonetheless, a number of students find impression management ethically troubling. They value integrity and see role-playing as insincere because the leader may have to disguise his or her true feelings in order to be successful.

In the film *Saving Private Ryan*, described in Box 1.2, the army captain played by Tom Hanks appears calm and collected when leading his squad of soldiers. This facade crumbles when he is alone. His hands shake, and at one point he breaks out in uncontrollable sobs. Is the captain morally justified in hiding his true emotional state from his followers? Some in my classes think he is not.

One final note on impression management: even if you believe that leaders are justified in masking their feelings to project the desired image, there is no
doubt that impression management can be used to reach immoral ends. Many
demagogues, like Huey Long and George Wallace, have used public speaking
performances to rally audiences to destructive causes, for instance. When con-
sidering the morality of impression management, we need to consider its end
products. Ethical impression managers meet group wants and needs, not just
the leaders'. They spur followers toward highly moral ends. Unethical impres-
sion managers produce the opposite effects, subverting group wishes and
lowering purpose and aspiration.

THE SHADOW OF INCONSISTENCY

Leaders deal with a variety of constituencies, each with its own set of abil-
ities, needs, and interests. In addition, they like some followers better than
others. The leader-member exchange theory (LMX) is based on the notion that
leaders develop closer relationships with one group of followers. Members
of the “in-group” become 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 require-
ments of their jobs. Their communication with the leader is not as trusting and
supportive. Not surprisingly, members of in-groups are more satisfied and
productive than members of out-groups. For that reason, LMX theorists have
begun to explore ways that leaders can develop close relationships with all of
their followers.

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

Diverse followers, varying levels of relationships, and elements of the sit-
tuation make consistency an ethical burden of leadership. Should all followers
be treated 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
like these, as in the case of a resident assistant who enforces dormitory rules for
some students but ignores infractions committed by friends. Of course, deter-
mining whether a leader is casting light or shadow may depend on where you
stand as a follower. When Michael Jordan played for the Chicago Bulls, Coach
Phil Jackson allowed him more freedom than other players. Jordan was com-
fortable with this arrangement, but his teammates weren’t as enthusiastic.

Issues of inconsistency can also arise in a leader’s relationships with those
outside the immediate group or organization. Until recent reforms, for example,
Merrill Lynch and other investment banks provided important clients with
benefits denied ordinary investors. Investment banks manage the stock offerings of companies going public for the first time. Bankers gave executives doing business with their firms the opportunity to buy initial public offering (IPO) shares. During the stock market boom of the 90s, IPO stocks often increased dramatically in value in a matter of hours or days, creating a financial windfall for these privileged insiders.19

Misgivings about the current system of financing political elections stems from the fact that large donors can “buy” access to elected officials and influence their votes. Laws often favor those who have contributed the most, as in the case of the nation’s electric utilities. Utility contributions ($18.9 million during the 2000 presidential campaign alone) were rewarded with legislation and policies loosening federal restrictions on their operations. Critics charge that deregulation allowed Southern, Texas El Paso, Reliant, Entergy, and other energy giants to dominate power generation and transmission in Britain, Argentina, Brazil, Pakistan, and other nations.20

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, local communities, professions, larger society, and the environment. Noteworthy leaders put the needs of the larger community above selfish interests. The Ben & Jerry’s Corporation, for example, receives praise for its “capitalism with a conscience.” The firm supports Vermont dairy farmers, promotes peace, and helps the homeless, among other causes. In contrast, those who appear to put their interests first are worthy of condemnation. Doctors at The Ohio State University Medical Center were harshly criticized for putting the needs of their hospital and the medical profession ahead of the public’s in the case of Michael Swango. Swango, a doctor, stands accused of killing 60 patients. Nurses accused Swango of poisoning patients when he was an internist at The Ohio State University Medical Center. Yet faculty put their loyalty to their young colleague and the hospital above the needs of the sick. They believed Swango instead of the nurses (who were of lower status) and protected the image of the hospital by undermining any criminal investigation. Administrators appeared more interested in fending off potential lawsuits than in finding out the truth. As a result of these misplaced loyalties, Swango received his medical license, and he allegedly continued his career as a killer.21

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, Vidkin 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 in
World War II. Enron CEO Ken Lay provides a contemporary example of a leader who violated the trust of followers (see the Casting Shadows at Enron Chapter End Case). Lay betrayed employees by assuring them that the firm was in good shape even as it was headed toward collapse.

Mergers and acquisitions are common forms of corporate betrayal. Executives of the new conglomerate typically assure consumers that they will benefit from the merger. Quality and service, they claim, will improve, not suffer. Employees are told that the best elements of their current companies will be maintained. Sadly, these promises are broken more often than not. Quality and service decline as the new firm cuts costs to pay for its expansion. Important corporate values like family support and social responsibility are lost and benefits slashed.

As egregious as these corporate examples of betrayal appear, they pale in comparison to cases of Catholic priests who sexually abused children in their care. As you’ll see in Chapter 4, clergy in Boston, Portland, New Mexico, and elsewhere used their positions as respected spiritual authorities to gain access to young parishioners for sexual gratification. Bishops and cardinals failed to stop the abusers. In far too many cases, they let offending priests continue to minister to and have contact with children. Often church officials transferred pedophiles without warning their new congregations about these priests’ troubled pasts.

The fact that I’ve placed the loyalty shadow after such concerns as power and privilege should not diminish its importance. Philosopher George Fletcher argues that we define ourselves through our loyalties to families, sports franchises, companies, and other groups and organizations. Political strategist James Carville points out that the significance of loyalty is reflected in the central role it plays in drama. “Take apart any great story,” he claims, “and there’s loyalty at its heart.” As evidence of this fact, he points to Shakespeare’s Romeo and Juliet, The Godfather trilogy, the HBO series The Sopranos, and even episodes of The Andy Griffith Show (Carville doesn’t claim to have excellent taste).

You may think that Carville overstates his case, but the fact remains: 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 the major leagues. In front of one especially hostile crowd in Cincinnati, Reese put his arm around Robinson’s shoulders in a display of support.

Pay particular attention to the shadow of loyalty as you analyze the feature films highlighted in each chapter. In most of these movies, leaders struggle with where to place their loyalties and how to honor the trust that others have placed in them.
THE SHADOW OF IRRESPONSIBILITY

Earlier we noted that the breadth of responsibility is one of the factors distinguishing between the leader and follower roles. Followers are largely responsible for their own actions or, in the case of a self-directed work team, for their peers. This is not the case for leaders. They are held accountable for the performance of their entire department or unit. However, determining the extent of a leader’s responsibility is far from easy. Can we blame a college coach for the misdeeds of team members during the off season or for the excesses of the university’s athletic booster club? Are Nike executives responsible for the actions of their overseas contractors who force workers to work in sweatshops? Do employers “owe” followers a minimum wage level, a certain degree of job security, and safe working conditions? If military officers are punished for “following orders,” should their supervisors receive the same or harsher penalties? Rabbis and pastors encourage members of their congregations to build strong marriages. Should they lose their jobs when they have affairs?

Leaders act irresponsibly when they (a) fail to take reasonable efforts to prevent followers’ misdeeds, (b) ignore or deny ethical problems, (c) don’t shoulder responsibility for the consequences of their directives, (d) deny their duties to followers, or (e) hold followers to higher standards than themselves. We don’t hold coaches responsible for everything their players do. Nonetheless, we want them to encourage their athletes to obey the law and to punish any misbehavior. Most of us expect Nike to make every effort to treat its overseas labor force fairly, believing that the company owes its workers (even the ones employed by subcontractors) decent wages and working conditions. We generally believe that officers giving orders are as culpable as those carrying them out and have little tolerance for religious figures and others who violate their own ethical standards. For that reason, former Secretary of Education William Bennett, the author of The Book of Virtues, came under attack for advocating moderation and other character traits at the same time that he was unable to control his gambling habit.

Many corporate scandals demonstrate what can happen when boards of directors fail to live up to their responsibilities. Far too many boards were 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 directors appeared only interested in collecting their fees and made little effort to understand the company’s operations or finances. Other board members were well intentioned but lacked expertise. Now federal regulations require that the chair of the audit committee be a financial expert. The compensation, audit, and nominating committees must be made up of individuals who have no financial ties to the organization. These requirements should help prevent future abuses, but only if directors take their responsibilities seriously.
These, then, are some the common shadows cast by leaders faced with the ethical challenges of leadership. Identifying these shadows raises an important question: Why is it, when faced with the same ethical challenges, that some leaders cast light and others cast shadow? In the next chapter, we’ll explore the forces that contribute to the shadow side of leadership.

Implications and Applications

- The contrast between ethical and unethical leadership is as dramatic as the contrast between light and darkness. Take care lest you cast more shadow than light.
- Certain ethical challenges or dilemmas are inherent in the leadership role. If you choose to become a leader, recognize that you accept ethical burdens along with new tasks, expectations, and rewards.
- Power may not be a dirty word, but it can have a corrosive effect on values and behavior. You must determine how much power to accumulate, what forms of power to use, and how much power to give to followers.
- Abuse of privilege is the evil twin of power. If you abuse power, you’ll generally overlook the needs of followers as you take advantage of the perks that come with your position.
- Access to information will complicate your life. In addition to deciding whether or not to 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.
- Creating the desired impression is critical to effective leadership. However, impression management increases the danger of sacrificing integrity and sincerity for image.
- A certain degree of inconsistency is probably inevitable in leadership roles, but you’ll cast shadows if you are seen as acting arbitrarily and unfairly.
- As a leader, you’ll have to balance your needs and the needs of your small group or organization with loyalties or duties to broader communities. Expect condemnation if you put narrow, selfish concerns ahead of those of society as a whole.
- Leadership brings a broader range of responsibility, but determining the limits of accountability may be difficult. You’ll cast a shadow if you fail to make a reasonable attempt to prevent abuse or to shoulder the blame, deny that you have a duty to followers, or hold others to a higher ethical standard than you are willing to follow.

For Further Exploration, Challenge, and Self-Assessment

1. Create an ethics journal. In it describe the ethical dilemmas you have encountered as a leader and follower, how you resolved them, how you felt about the outcomes, and what you learned 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. How does powerlessness corrupt? What are some of the symptoms of powerlessness?

3. What factors do you consider when determining the extent of your loyalty to an individual, group, or organization?

4. In a group, determine if and when impression management is ethical. Keep a record of your deliberations, including the issues you discuss, disagreements and differences between members, and your final conclusions. Report your findings to the rest of the class. If you are unable to reach consensus, describe the elements that still divide you.

5. Evaluate the work of a corporate or nonprofit board of directors. Is the board made up largely of outside members? Are directors qualified? Does the board fulfill its leadership responsibilities? Write up your findings.

6. Which shadow are you most likely to cast as a leader? Why? What can you do to cast light instead? Can you think of any other ethical shadows cast by leaders?

7. Look for examples of unethical leadership behavior in the news and classify them according to the six shadows. What patterns do you note?
CASE STUDY 1.2

Chapter End Case: Casting Shadows at Enron

During the 1990s, Enron was one of the fastest growing, most admired companies in the United States. From its humble origins as a regional natural gas supplier, the Houston firm grew to become the seventh largest company on the Fortune 500. In 2000, the company employed 21,000 people, and its stock hit an all-time high of $90 per share.

Enron appeared regularly on lists of the nation’s best companies, receiving accolades for its innovative climate. The firm focused on energy transportation, trading, and financing and developed new ways to market nontraditional commodities like broadband width. Founder and CEO Kenneth Lay was profiled in a number of business magazines, gave generously to local charities, and golfed regularly with Presidents Clinton and Bush.

Rising stock values and revenues were the glue that held the company together. To keep debt (which would lower the price of the stock by lowering earnings) off the books, Chief Financial Officer Andrew Fastow created special purpose entities (SPEs). These limited partnerships with outside investors enable firms to share risks while hiding deficits. Although SPEs are legal and used in many industries, Enron’s partnerships didn’t have enough outside investors. In essence, the company was insuring itself. Employees who managed these investments made millions while acting against the best interests of the firm.

In 2001, losses in overseas projects and a major subsidiary caused a financial meltdown. Enron’s stock price dropped, and the company was unable to back its guarantees. Financial analysts and journalists who had previously sung the company’s praises began to question Enron’s financial statements. In the midst of the unfolding disaster, Chairman Lay repeatedly assured employees that the stock was solid. At one point he declared, “Our performance has never been stronger; our business model has never been more robust; our growth has never been more certain.” At the same time that he was making these optimistic pronouncements, Lay and other officials were calling Bush cabinet members to ask them to intervene on the firm’s behalf. Arthur Andersen auditors then forced the company to restate earnings and the Securities and Exchange Commission (SEC) began to investigate.

Enron filed for bankruptcy in December 2001, and in January 2002, Lay resigned. Both Fastow and his deputy pled guilty for their roles in creating and managing the illegal partnerships. Enron energy traders also entered guilty pleas for manipulating electricity markets.

Greed, pride, lack of internal controls, pressure to make quarterly earnings projections, and other factors all played a role in Enron’s collapse. However, most of the blame must go to the firm’s executives, who failed to meet each of the
challenges of leadership described in the chapter. Leaders at Enron cast shadows by the following:

Abuse of power. Both Lay and Jeffrey Skilling (Lay’s short-term replacement) wielded power ruthlessly. The position of vice-chair was known as the “ejector seat” because so many occupants were removed from the position when they took issue with Lay. Skilling frequently intimidated subordinates.

Excess privilege. Excess typified top management at Enron. Lay told a friend, “I don’t want to be rich, I want to be world-class rich.” At another point he joked that he had given wife Linda a $2 million decorating budget for a new home in Houston that she promptly exceeded. Lay and other executives were able to unload their shares even as employees’ 401K accounts (largely made up of Enron stock) were wiped out.

Deceit. Enron officials manipulated information to protect their interests and to deceive the public, although the extent of their deception is still to be determined. Both executives and board members claim that they weren’t aware of the company’s off-the-books partnerships and shaky financial standing. However, both Skilling and Lay were warned that the firm’s accounting tactics were suspect, and the Senate Permanent Subcommittee on Investigations concluded, “Much that was wrong with Enron was known to the board.”

Inconsistent treatment of internal and external constituencies. Five hundred Enron officials received “retention bonuses” totaling $55 million after the firm filed for bankruptcy. At the same time, laid off workers received only a fraction of the severance pay they had been promised. Outsiders also received inconsistent treatment. The company was generous with its friends. As the top contributor to the Bush campaign, Enron used this leverage to nominate friendly candidates to serve on the SEC and the Federal Energy Regulatory Commission (FERC). Company representatives also helped set federal energy policy that deregulated additional energy markets for Enron’s benefit. In contrast, critics of the company could expect retribution. Investment bankers who expressed the least bit of doubt about Enron lost underwriting business from the firm. Stock analysts who were critical lost their jobs.

Misplaced and broken loyalties. Enron officials put loyalty to themselves above loyalty to everyone else with a stake in the company’s fate—stockholders, business partners, ratepayers, local communities, and foreign governments. They also abused the trust of those who worked for them. Employees felt betrayed, in addition to losing their jobs and retirement savings.

Irresponsibility. Enron’s leaders acted irresponsibly by failing to take needed action, failing to exercise proper oversight, and failing to shoulder responsibility for the ethical miscues of their organization. CEO Lay downplayed warnings of
financial improprieties and some board members didn’t understand the company’s finances or operations. Too often managers left employees to their own devices, encouraging them to achieve financial goals by any means possible. Neither CEO stepped forward to accept blame for what happened after the firm’s collapse. Lay invoked Fifth Amendment privileges against self-incrimination; Skilling claimed ignorance.

DISCUSSION PROBES

1. Which attitudes and behaviors of Enron’s leaders do you find most offensive? Why?

2. Did one shadow caster play a more important role than the others in causing the collapse of Enron? If so, which one and why?

3. How much responsibility should the board of directors assume for what happened at Enron?

4. What similarities do you see between what happened at Enron and at other well-known companies accused of ethical wrongdoing?

5. What can be done to prevent future Enrons?

6. What leadership lessons do you draw from this case?

REFERENCES

Case adapted from the following:


After the World Trade Center bombings of September 11, 2001, Congress swiftly passed the USA Patriot Act by an overwhelming margin. The legislation (set to expire in 2005) gives more power to law enforcement officials to fight terrorism. Under the law,

1. Investigators can examine book and computer records at libraries and bookstores. They must get a search warrant, but these proceedings are overseen by the Foreign Intelligence Surveillance Court, which operates in secret. Libraries cannot notify patrons that their records are being monitored.

2. The FBI can seek “any tangible things” from businesses when conducting terrorism investigations. These might include documents, records, and computer data. Once again, those who supply information are forbidden from revealing that a request has been made. There is no way to know who has been targeted for investigation.

3. Colleges and universities must enter information about all foreign students, faculty, and researchers into a national data system. Students from “enemy” countries cannot work at high-security sites.

4. Aid of any kind, even humanitarian assistance, cannot be provided to groups that the U.S. government considers terrorist organizations.

5. Illegal immigrants can be more easily detained and held for deportation.

6. Justice Department officials can conduct secret searches of homes and offices under the “sneak and peek” provision of the act.

7. Law enforcement and intelligence agencies are permitted to share much more information with each other than they could before 9/11.

The Patriot Act has become the center of controversy, even though it passed with little debate. Both liberal (American Civil Liberties Union, American Library Association) and conservative (Rutherford Institute, Free Congress Foundation) groups argue that the bill gives too much power to law enforcement at the expense of civil liberties. A number of local and state governments have passed resolutions condemning sections of the act; some libraries are immediately destroying patron records. Congress has so far turned back attempts to make the Patriot Act permanent and to extend its powers in Patriot Act II. In fact, selected provisions of the current law may be repealed. A federal judge has ruled that a section of the act that prohibits giving expert advice or assistance to foreign terrorist organizations violates free speech rights.

Attorney General Ashcroft argues that the bill has been an effective weapon against terrorism and that critics are overreacting: “The Patriot Act simply does not allow federal law enforcement free or unfettered access to local libraries, bookstores or other businesses.” He asserts that only a few warrants for library...
information have been issued and that, in the past, grand juries could subpoena such records without the involvement of a judge. Further, the use of wiretaps is a “time-tested, law enforcement-honored, court-sanctioned and understood technique which is now being extended into the arena of terror.”

Critics are unmoved by Ashcroft’s claims. They note that Justice Department leaders have refused to reveal just how many warrants have been issued and to whom, claiming that this information is classified. Representative James Sensenbrenner, Jr., chair of the House Judiciary Committee, declared through an aide that the life of the Patriot Act would continue only “over his dead body.”

DISCUSSION PROBES

1. How do you feel about the possibility that the FBI and other law enforcement officials could examine your personal records without your knowledge?

2. What kind of restrictions should be put on foreign students, faculty, and researchers studying and working in the United States?

3. Are critics overreacting to the Patriot Act as Ashcroft and others have claimed?

4. Does the Patriot Act put too much power in the hands of law enforcement officials?

5. Should it be revoked or should it be extended?

6. Under what circumstances should security needs take precedence over civil liberties?

REFERENCES


Notes


34 THE SHADOW SIDE OF LEADERSHIP


