

Deviant Managerial Behavior: Costs, Outcomes and Prevention

N. S. Miceli*

ABSTRACT. This paper examines deviant managerial behavior, and compares such behavior to the clinical psychological sociopathic model. The scope of a multinational corporate operation can enhance or degrade the quality of life for individuals with more impact than at any previous time in history. Social costs are compared to the results of sociopathic behavior and examined as the result of amoral or immoral behavior. The idea of the sociopathic manager is discussed, and theoretical causes of sociopathic development are examined with bases in behavioral, economic and criminological literature. Future research and recommendations for prevention of sociopathic behavior are advanced.

Overview and organization

Anthropologist Colin Turnbull (1972) describes the results of resource deprivation on the Ik tribe of Uganda. The loss of their main food supply caused the Ik to degenerate into people focused on immediate satisfaction of the need for food (McCord, 1982). When conditions changed, and the food supply was restored, the group's behavior did not change. Individuals remained focused on self-preservation, when the entire group could have prospered (McCord, 1982).

It would be easy to dismiss the Ik as a deviant group, but, the example of the Ik simplifies the analysis of sociopathic managerial behavior. The

Ik are a typical of most groups. Their extreme deviation from the norms of most societies illustrates how resource deprivation may affect individual behavior. Similarly, real or perceived resource deprivation can cause managers to focus on short-term goals without regard to resulting moral considerations, or social costs (Carroll, 1987; Daneke, 1985).

Analysis of the sociopathic manager requires examination of the scope of corporate power, the effect of overemphasis on short-term profitability, and the breadth of the impact of social costs. Once the social costs of deviant corporate behavior have been established, definitions of the sociopath and the sociopathic manager are more readily understood. Examples of managerial behavior equivalent to sociopathic symptoms will be provided, clarifying the theoretical causes of their origins, and the group and social conditions promoting such behavior. Finally, recommendations that would help prevent sociopathic managerial behavior will be offered.

The sources and scope of corporate power

The economic power of the corporation is almost incomprehensible. By 1982, the largest American corporations controlled about 75% of corporate assets, 50% of corporate sales, and 66% of corporate income (Dugger, 1988). These corporations derive the ability to operate globally from this concentration of resources. Multinational corporations execute plans crossing borders closed to nations. The multinational corporation's use of power can improve or degrade the ability of individuals to exercise their rights as consumers, employees and members of

N. S. Miceli is a doctoral student at the University of Oklahoma majoring in Management (Organizational Behavior and Human Resource Management). His research interests include the effects of ASPD on decision making, attitudes toward disabled persons, occupational health and stress, international business, cross-cultural issues and labor relations.

society (Braungart, 1978; Kramer, 1989; Nader and Taylor, 1986). With such power, the process and results of managerial decision making have broad impact.

Short-term profits as immediate gratification

In his discussion of marginal analysis, Kapp (1978) points out the economic analysis does not inherently consider social factors. Individuals run businesses for personal gain, and social costs are the by-products. When business decisions exclude ethical considerations, or managers believe that profit should be the sole criteria for decision making, the resulting decisions are equivalent to those of the sociopath seeking continuous gratification (Bower, 1974; Daneke, 1985; McCord, 1982; Passas, 1990; Szwajkowski, 1985).

The impact of social costs

Management's misuse of corporate power is a major problem world-wide. While legal or illegal acts can cause social costs, if management is moral, the negative side effects of the use of this power can be minimized (Carroll, 1987). Social costs caused by business activity are borne by individuals or society (Kapp, 1978). Examples are the effects of: the Union Carbide (Bhopal) disaster (Pearce and Tombs, 1989), the Ford Pinto, the Dalkon Shield, illegal toxic waste dumping (Kramer, 1989), thalidomide (Schrager and Short, 1978), all forms of work place harassment (Stringer *et al.*, 1990), and defective breast implants (Burton, 1992).

How can corporate social costs be explained? Possible sources are environmental factors paralleling the theoretical causes of sociopathic development, and structural factors grounded in group, social and economic conditions. Discussion of those sources follows the examples of sociopathic managerial behavior.

The sociopath and the sociopathic manager defined

A review of the literature describes the sociopath as unreliable and manipulative of others. The sociopath lies for personal benefit, and is without remorse for his behavior. His antisocial behavior is not based on objective needs, but results from his need for immediate gratification. His judgment regarding appropriateness of behavior is poor, and he fails to learn from negative experiences. The sociopath is egocentric to a pathological degree, and cannot empathize with others (Ansbacher, 1991; Beck and Freeman, 1990; Cleckley, 1976; Passas, 1990). Finally, the description of the anomic individual provided by Ansbacher (1991), and MacIver (1950), focuses on the destructive nature of the person whose pursuit of power over others is not limited by normal concern with possible ill effects on others. Viewed according to espoused societal norms, this behavior is dysfunctional, or deviant. A person with these traits would be described as having antisocial personality disorder (ASPD) (Beck and Freeman, 1990; Cleckley, 1976; McCord, 1982; Smith, 1978), or as anomic (Ansbacher, 1991; Passas, 1990). We will refer to managers behaving similarly as sociopathic managers (Daneke, 1985).

The sociopathic manager's action parallel those of a sociopath. They seek profit to the exclusion of morality from the decision making process. Regulations are viewed as interference with the right to operate a business (Adorno *et al.*, 1950). The sociopathic manager considers others' objections to their antisocial actions as potential limits on their freedom (Beck and Freeman, 1990), instead of attempts at self-protection. When the results of their actions produce social costs, they do not hesitate to lie, or manipulate, to protect their interests. Further, the sociopathic manager refuses to prevent harms in instances where costs of prevention are not significant, or could easily be passed on to the end user. The sociopathic manager imposes social costs on individuals, and views externalized social costs as a way to improve his financial performance. Smith (1978) views the sociopath's behavior as the logical, but extreme extension

of the behavior required for success in Western capitalistic society. Having some understanding of these qualities, now we can examine how the sociopathic manager behaves.

Examples of sociopathic behavior

In this section, sociopathic traits comparable to deviant managerial acts will be reviewed. These traits are central to the definition of the sociopath, as set forth by Beck and Freeman (1990), and Cleckley (1976). These behaviors, as related to social costs were used for defining the practices of the sociopathic manager. By definition, the sociopathic manager acts immorally or amorally, without regard to the spillover effects of social costs.

Examples of how the sociopathic manager behaves illustrate the pervasiveness and scope of these harms. Even if these behaviors were isolated, the global scope of corporate operation insures that corporate harms will be widespread.

Unreliability and manipulative behavior

The violation of environmental protection regulations reveals behaviors similar to sociopathic unreliability and manipulation. The sociopathic manager complies with regulations when the costs can be passed on to others, and avoids compliance where possible, or where operations could be interrupted (Cleckley, 1976; Yeager, 1987). The large corporation's management can manipulate the stringency of regulations as they are written and enforced, while the small firm cannot (Cleckley, 1976; Yeager, 1987).

Untruthfulness, insincerity and lack of remorse or shame

Analysis of Union Carbide's Bhopal plant disaster is sobering (Pearce and Tombs, 1989). Union Carbide Corporation (UCC) maintained in their 1984 Annual Report that they were not responsible for the conditions leading to the release of toxic chemicals into the atmosphere. UCC used

public relations techniques to shift the blame to the Indian government, and the victims, by advancing the theory that Indian nationals were saboteurs. Pearce and Tombs (1989) methodically show that the Bhopal plant's technology and design were deficient, and that standard operating procedures (SOPs) were inadequate, and ignored. These conditions, which were under UCC control, led to [reasonable estimates] 5000 deaths, and 60 000 persons affected seriously, with 20 000 of those harmed permanently (Cleckley, 1976; Pearce and Tombs, 1989).

Inadequately motivated antisocial behavior, poor judgment and failure to learn by experience

In *The Big Boys*, Nader and Taylor (1986) document several cases, between 1958 and 1974, of defects in General Motors automobiles causing fatal or crippling accidents. These accidents led to lawsuits for significant damages by injured parties. The defects caused the recall and repair of millions of cars. Corrections had been proposed for every design defect cited before the product was released publicly. In spite of predicted pain and suffering, the corrections were rejected after management review and evaluation based on cost. It is difficult to believe that the costs of correction, referred to in one case as "a few cents", could not have been passed on to the consumer, leaving General Motors' earnings largely unchanged (Cleckley, 1976).

Pathologic egocentricity

The accounts of corporate leadership documented by Nader and Taylor (1986), depict managers concerned with increasing personal and organizational wealth and power, but unconcerned with the social costs their decisions levy on others. The studies are written as if the authors had Kapp's (1978) discussion of social costs, and MacIver's (1950) anomic individual in mind (Cleckley, 1976).

As stated previously, the sociopathic manager incorporates the qualities of the sociopath in his actions. Reviewing sociopathic behavior traits is

instructive in understanding what the sociopath does, but not why he acts as he does. The next two sections examine theoretical causes of sociopathic development, and the social and group factors promoting sociopathic managerial behavior. These two sections will provide an attempt to understand the rationale for sociopathic managerial behavior.

Theoretical causes of sociopathic development

Most behaviorally oriented models of sociopathic development focus on the pre-sociopathic child. During his childhood, the child suffered painful experiences involving severe parental discipline. The child's father is authoritarian, while his mother is indulgent. The child's limited reasoning process leads him to view the relationship as erratic in nature. Unable to understand why he is randomly punished and rewarded, the child becomes emotionally desensitized and unable to empathize with other people. The child learns that superficial conformity is rewarded, and underhanded nonconformity is unpunished (McCord, 1982; Smith, 1978; Ullmann and Krasner, 1969).

In the organizational setting, Daneke (1985) compares inconsistent regulation to erratic parental treatment. Managers react in the same way as the child using superficial conformity and underhanded nonconformity. Managers of larger, powerful corporations can enact or ignore regulations. This leads to norm erosion, and successful opposition leads to self-reinforcing noncompliance (Yeager, 1987). The criminological literature replicates Turnbull's (1972) findings regarding resource deprivation; corporate crimes occur more frequently when the firm's survival is at stake, or in industries perceived by participants as especially competitive (Kramer, 1989; Needleman and Needleman, 1979; Pearce and Tombs, 1989).

Contributing group and social conditions

Capitalistic society and organizational coercion

As Daneke (1985) noted, our political-economic system favors the corporation over the individual. Corporations have limited liability, and unlimited financial resources, compared to individuals. Such an imbalance of power encourages managerial decisions imitating sociopathic behavior, and confers immunity from retaliation for individual managers (Daneke, 1985). This favoring of the corporation contributes to the ability of managers to induce individual cooperation with sociopathic actions. Managers can punish dissent, through use of isolation, defamation and expulsion, while rewarding compliance (Gummer, 1985). These penalties can be used with little fear of individual resistance or reprisal from the sanctioned.

Societal and group forces

As technological complexity, urbanization, and work role specialization increase, and communal bonds decline, the individual's intimate social ties decrease and feelings of anonymity increase (McCord, 1982). These trends increase the individual's identification with his organization, and decrease the chances of the individual opposing the organization's wishes. Strong identification with the corporation leads to replacement of personal ethics with corporate requirements (Dugger, 1988). This process has been examined in several streams of research. Studies on obedience (Milgram, 1974), deindividuation (Zimbardo, 1969), and groupthink (Janis, 1982) all have some explanatory power regarding why individuals perform immoral actions for sociopathic managers.

Milgram's (1974) findings on obedience were meant to be applied to organizations. Milgram found that individuals carry out their jobs under an administrative, rather than moral outlook. This is consistent with amoral management: the philosophy that moral considerations do not apply to business activities (Carroll, 1987).

People identify with their duties, and view

them as coming from higher authority. This leads people to view the duties they are given as legitimate, and reduces the chance of orders being questioned. Organizational etiquette usually defines some topics as embarrassing to discuss (e.g., exploding Pintos) (Milgram, 1974). After individuals carry out questionable acts, devaluation of the victim occurs because of the actor's tendency to justify his actions. People tend to make the "just world assumption", or believe that the victim did something to deserve his misfortune, since "bad things don't happen to good people (Milgram, 1974; Sjoberg *et al.*, 1984).

The feeling of responsibility for outcomes is diffused in organizations. This happens because subordinates mentally shift responsibility from themselves to their supervisor (Kramer, 1989; Milgram, 1974). If a person is working for a deviant manager, within an impersonal bureaucratic structure (Kramer, 1989; Sjoberg *et al.*, 1984), but is not directly involved in the harmful activity, this further diffuses responsibility. Managers can focus their efforts on reinforcing those individuals most directly concerned with performing harmful tasks. Conscience is vital for the individual to govern his acts, but in the organizational setting, it is secondary to the need to cede control to a superior. Social and organizational survival requires this tendency (Milgram, 1974). Diffusion of felt responsibility, anonymity, and acceptance of group norms are consistent with research done on groupthink (Janis, 1982), and deindividuation (Zimbardo, 1969). Ultimately, management controls rewards and punishments, and has the added advantage of providing the individual with an increasingly important reference group.

To summarize: (1) Managers in large multinational corporations are virtually unrestrained in how they make decisions, take actions and exercise power. (2) The imbalance of corporate power means that social costs are mainly controlled by the moral or social concerns of managers. (3) Profit oriented assumptions provide organizations and managers with a philosophical mandate. Residents of Western nations assume that capitalism is the best possible system. (4) The corporations' power is greater than that of most individuals. It is easy to force compliance, but

coercion is usually not necessary, since individuals identify with organizations, accept organizational authority, and tend to follow orders.

Recommendations

Not all managers are sociopathic, or even prone to sociopathy (Carroll, 1987). As Cleckley (1976) stated, even sociopaths have their benign periods. Even managers prone to sociopathy are not unremittently sociopathic. Competitive pressures or resource deprivation which is perceived as survival threatening, the impersonality of bureaucratic structure, diffusion of responsibility, and the need to identify or affiliate with others, all contribute to sociopathic outcomes. However, some elements contributing to weakness can be used to develop strength.

Increased division of labor contributes to feelings of isolation, and motivates individuals to identify with their employer (Ansbacher, 1991; McCord, 1982). Interestingly, Milgram (1974) found that the condition providing the most countervailing force to authority demands was when groups opposed authority. Ninety percent of the subjects in that condition did not comply with orders. Identification with the work group, or a strong labor union could encourage individuals to oppose amoral actions (Dugger, 1988). Changes in labor legislation allowing the formation of management or professional unions could provide enough protection to allow individuals in bureaucratic support positions to refuse to comply with indirect support of amoral or immoral actions (Dugger, 1988). Strengthening of legislation protection "whistle-blowers", and the establishment of financial rewards for reporting fraud, waste and abuse, similar to those used for government agencies would prove beneficial (Gummer, 1985).

Cognitive therapy and business ethics researchers make similar recommendations and analyses of sociopaths, and amoral managers. Cognitive therapy suggests teaching sociopathic individuals to use a reasoning style using a search for diverse action alternatives, a longer-term temporal orientation, and consideration of others; while de-emphasizing a self-centered, and

short-term reasoning orientation (Beck and Freeman, 1990). Carroll (1987), makes virtually the same recommendations for management: consider diversity of viewpoints in problem solving, and in ethical considerations. Management needs to actively examine the larger ramifications of actions, instead of operating blinding or amorally about ethical factors.

Managers need to be taught to solve problems with processes that consider moral factors, and quantitatively based methods. Managers and MBA students also should be given training in ethics, such that they become more aware of the rights of others (Carroll, 1987; Dugger, 1988). If senior management does not make ethics part of the corporate reward system (Bower, 1974), and tighten up loose financial controls which fails to prevent unethical practices, the effects of amoral management will continue to plague society (Beck and Freeman, 1990; Carroll, 1987). Such an outcome makes us no better than the Ik, with the same chance of long-term leadership and survival.

Future research

Our colleagues in sociology and criminology have set a high standard as academics and researchers. They have said that failure to examine deviant corporate behavior, and blind acceptance of the status quo is tacit support of such behavior (Galliher, 1973; Junker, 1983). As researchers, we should investigate the deeper economic, behavioral and structural conditions leading to the development and acceptance of deviant corporate behavior (Schrager and Short, 1978).

One possible avenue of research would involve developing a survey instrument, and a problem solving or "in-basket" exercise based on the content of ASPD schemata. Managers and professionals, workers, and business students could be examined for tendencies toward self-centered or amoral decision making processes. Initial research could be cross-sectional, with subsequent research following longitudinal methodology. This could provide insight into the development of amoral individuals (Beck and

Freeman, 1990). Such understanding would be the first step toward gaining the benefits of preventing the harms enumerated in this paper.

Note

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University of Oklahoma,
College of Business Administration,
Norman OK, 73019-0450,
U.S.A.