

# The Corporate Psychopaths Theory of the Global Financial Crisis

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**ABSTRACT.** This short theoretical paper elucidates a plausible theory about the Global Financial Crisis and the role of senior financial corporate directors in that crisis. The paper presents a theory of the Global Financial Crisis which argues that psychopaths working in corporations and in financial corporations, in particular, have had a major part in causing the crisis. This paper is thus a very short theoretical paper but is one that may be very important to the future of capitalism because it discusses significant ways in which Corporate Psychopaths may have acted recently, to the detriment of many. Further research into this theory is called for.

**KEY WORDS:** Corporate Psychopaths, The Global Financial Crisis, leadership, corporate management

## Introduction

The Global Financial Crisis has raised many ethical issues concerning who pays for the damage inflicted and who is responsible for causing the crisis. Commentators on business ethics have noted that corporate financial scandals have assumed epidemic proportions and that once great companies of longstanding history and with previously unblemished and even dignified reputations have been brought down by the misdeeds of a few of their leaders. These commentators raise the fascinating question of how these resourceful and historic organizations end up with impostors as leaders in the first place (Singh, 2008). One writer on leadership even goes as far as to say that modern society is suffering from an epidemic of poor leadership in both the private and the public sectors of the economy (Allio, 2007).

An understanding of Corporate Psychopaths as expressed in a recent series of papers in this journal and in others, and based on empirical research, has

helped to answer the question of how organizations end up with impostors as leaders and how those organizations are then destroyed from within (Boddy, 2005, 2010a, Boddy et al., 2010a, b).

The event of the Global Financial Crisis has hastened an already changing climate in business research. Commentators are no longer willing to assume that all managers are working selflessly and entirely for the benefit of the organization that employs them, and the study of dark, dysfunctional, or bad leadership has emerged as a theme in management research (Allio, 2007; Batra, 2007; Boddy, 2006; Clements and Washbrush, 1999). The onset of the Global Financial Crisis has thus led management researchers to be increasingly interested in researching various aspects of dark leadership in an attempt to explain the current financial and organizational turmoil around the world. Numerous papers on dark leadership have, for example, been recently reviewed by this author for this journal and it is evident that there are commentators with a deep knowledge of individual types of dark and dysfunctional leadership and with views on how these people have contributed to the current crisis. Corporate Psychopaths are one such type of dark manager, and this paper investigates their possible influence on the companies involved in the Global Financial Crisis. This is important because when large financial corporations are destroyed by the actions of their senior directors, employees lose their jobs and sometimes their livelihoods, shareholders lose their investments and sometimes their life savings and societies lose key parts of their economic infrastructure. Capitalism also loses some of its credibility.

These corporate collapses have gathered pace in recent years, especially in the western world, and have culminated in the Global Financial Crisis that

we are now in. In watching these events unfold it often appears that the senior directors involved walk away with a clean conscience and huge amounts of money. Further, they seem to be unaffected by the corporate collapses they have created. They present themselves as glibly unbothered by the chaos around them, unconcerned about those who have lost their jobs, savings, and investments, and as lacking any regrets about what they have done. They cheerfully lie about their involvement in events are very persuasive in blaming others for what has happened and have no doubts about their own continued worth and value. They are happy to walk away from the economic disaster that they have managed to bring about, with huge payoffs and with new roles advising governments how to prevent such economic disasters.

Many of these people display several of the characteristics of psychopaths and some of them are undoubtedly true psychopaths. Psychopaths are the 1% of people who have no conscience or empathy and who do not care for anyone other than themselves. Some psychopaths are violent and end up in jail, others forge careers in corporations. The latter group who forge successful corporate careers is called Corporate Psychopaths. Who psychopaths are and who Corporate Psychopaths are, is discussed further below.

## Psychopaths

Psychopaths are people who, perhaps due to physical factors to do with abnormal brain connectivity and chemistry, especially in the areas of the amygdala and orbital/ventrolateral frontal cortex (Blair et al., 2005, 2006; Kiehl et al., 2001, 2004, 2006) lack a conscience, have few emotions and display an inability to have any feelings, sympathy or empathy for other people. The area of the brain known as the amygdala has been described as the seat of emotion and fear and is reported to be important in processing socially relevant information and it is therefore theorized that disruption of its functions could lead to cold and socially inappropriate behaviour (Wernke and Huss, 2008). This abnormal brain connectivity and chemistry of psychopaths makes them extraordinarily cold, much more calculating and ruthless towards others than most people are and therefore a

menace to the companies they work for and to society (Brinkley et al., 2004; Viding, 2004).

## Corporate Psychopaths

The concept of the Corporate Psychopaths marries the terms 'psychopath' from the psychological literature with the term 'corporate' from the area of business to denote a psychopath who works and operates in the organisational area (Boddy, 2005). These people have also been called Executive Psychopaths, Industrial Psychopaths, Organisational Psychopaths, and Organisational Sociopaths by other researchers in this emerging area of research (Pech and Slade, 2007). They ruthlessly manipulate others, without conscience, to further their own aims and objectives (Babiak and Hare, 2006).

Although they may look smooth, charming, sophisticated, and successful, Corporate Psychopaths should theoretically be almost wholly destructive to the organizations that they work for. The probable mal-effects of the presence of psychopaths in the workplace have been hypothesized about in recent times by a number of leading experts and commentators on psychopathy (Babiak, 1995; Babiak and Hare, 2006; Boddy, 2005, 2006; Clarke, 2005; Hare, 1994, 1999).

Researchers report that such malevolent leaders are callously disregarding of the needs and wishes of others, prepared to lie, bully and cheat and to disregard or cause harm to the welfare of others (Perkel, 2005). Corporate Psychopaths are also poorly organized managers who adversely affect productivity and have a negative impact on many different areas of organizational effectiveness (Boddy, 2010b).

## The theory

Professor Robert Hare, the world's leading expert on psychopathy, has said that if he didn't look for psychopaths to study in prisons he would look for them in stock exchanges. Recent newspaper headlines such as 'Wall Street Shows No Remorse' do nothing to suggest that his viewpoint is incorrect. Hare has repeatedly drawn attention to the possible damage that Corporate Psychopaths could cause in major financial and other organizations. Some of this

damage has been illuminated by the research presented in a number of recent papers while other damage is merely hypothesised about.

Psychologists have argued that Corporate Psychopaths within organizations may be singled out for rapid promotion because of their polish, charm, and cool decisiveness. Expert commentators on the rise of Corporate Psychopaths within modern corporations have also hypothesized that they are more likely to be found at the top of current organisations than at the bottom. Further, that if this is the case, then this phenomenon will have dire consequences for the organisations concerned and for the societies in which those organisations are based. Since this prediction of dire consequences was made the Global Financial Crisis has come about. Research by Babiak and Hare in the USA, Board and Fritzon in the UK and in Australia has shown that psychopaths are indeed to be found at greater levels of incidence at senior levels of organisations than they are at junior levels (Boddy et al., 2010a). There is also some evidence that they may tend to join some types of organisations rather than others and that, for example, large financial organisations may be attractive to them because of the potential rewards on offer in these organizations (Boddy, 2010a).

These Corporate Psychopaths are charming individuals who have been able to enter modern corporations and other organisations and rise quickly and relatively unnoticed within them because of the relatively chaotic nature of the modern corporation. This corporate nature is characterized by rapid change, constant renewal and quite a rapid turnover of key personnel. These changing conditions make Corporate Psychopaths hard to spot because constant movement makes their behaviour invisible and combined with their extroverted personal charisma and charm, this makes them appear normal and even to be ideal leaders.

The knowledge that Corporate Psychopaths are to be found at the top of organisations and seem to favour working with other people's money in large financial organisations has in turn, led to the development of the Corporate Psychopaths Theory of the Global Financial Crisis. The Corporate Psychopaths Theory of the Global Financial Crisis is that Corporate Psychopaths, rising to key senior positions within modern financial corporations, where they are able to influence the moral climate of the whole

organisation and yield considerable power, have largely caused the crisis. In these senior corporate positions, the Corporate Psychopath's single-minded pursuit of their own self-enrichment and self-aggrandizement to the exclusion of all other considerations has led to an abandonment of the old fashioned concept of noblesse oblige, equality, fairness, or of any real notion of corporate social responsibility.

The Corporate Psychopaths Theory of the Global Financial Crisis is that changes in the way people are employed have facilitated the rise of Corporate Psychopaths to senior positions and their personal greed in those positions has created the crisis. Prior to the last third of the twentieth century large corporations were relatively stable, slow to change and the idea of a job for life was evident, with employees gradually rising through the corporate ranks until a position was reached beyond which they were not qualified by education, intellect or ability to go. In such a stable, slowly changing environment employees would get to know each other very well and Corporate Psychopaths would be noticeable and identifiable as undesirable managers because of their selfish egotistical personalities and other ethical defects.

Changing companies' mid-career was seen as being questionable and inadvisable and their rise would therefore be blocked both within their original employer and among external employers who would question their reasons for wanting to change jobs.

However, once corporate takeovers and mergers started to become commonplace and the resultant corporate changes started to accelerate, exacerbated by both globalisation and a rapidly changing technological environment, then corporate stability began to disintegrate. Jobs for life disappeared and not surprisingly employees' commitment to their employers also lessened accordingly. Job switching first became acceptable and then even became common and employees increasingly found themselves working for unfamiliar organisations and with other people that they did not really know very well. Rapid movements in key personnel between corporations compared to the relatively slower movements in organisational productivity and success made it increasingly difficult to identify corporate success with any particular manager. Failures were

not noticed until too late and the offending managers had already moved on to better positions elsewhere. Successes could equally be claimed by those who had nothing to do with them. Success could thus be claimed by those with the loudest voice, the most influence and the best political skills. Corporate Psychopaths have these skills in abundance and use them with ruthless and calculated efficiency.

In this way, the whole corporate and employment environment changed from one that would hold the Corporate Psychopath in check to one where they could flourish and advance relatively unopposed.

As evidence of this, senior level remuneration and reward started to increase more and more rapidly and beyond all proportion to shop floor incomes and a culture of greed unfettered by conscience developed. Corporate Psychopaths are ideally situated to prey on such an environment and corporate fraud, financial misrepresentation, greed and misbehaviour went through the roof, bringing down huge companies and culminating in the Global Financial Crisis that we are now in.

Writing in 2005, this author commenting on Corporate Psychopaths predicted that the rise of Corporate Psychopaths was a recipe for corporate and societal disaster. This disaster has now happened and is still happening. Across the western world the symptoms of the financial crisis are now being treated. However, if the Corporate Psychopaths Theory of the Global Financial Crisis is correct, then this treatment of the symptoms will have little effect because the root cause is not being addressed. The very same Corporate Psychopaths, who probably caused the crisis by their self-seeking greed and avarice, are now advising governments on how to get out of the crisis. That this involves paying themselves vast bonuses in the midst of financial hardship for many millions of others, is symptomatic of the problem. Further, if the Corporate Psychopaths Theory of the Global Financial Crisis is correct then we are now far from the end of the crisis. Indeed, it is only the end of the beginning. Perhaps more than ever before, the world needs corporate leaders with a conscience. It does not need Corporate Psychopaths. Measures exist to identify Corporate Psychopaths. Perhaps it is time to use them.

## Conclusions

When presented to management academics in discussion, the Corporate Psychopaths Theory of the Global Financial Crisis is accepted as being plausible and highly relevant. It provides a theory which unifies many of the individual interpretations of the reasons for the Global Financial Crisis and as such is worthy of further development. The message that psychopaths are to be found in corporations and other organisations may be important for the future longevity of capitalism and for corporate and social justice and even for world financial stability and longevity. Stemming from this belief that the message concerning psychopaths in corporations is important, an aim of this paper has been to get the work that psychologists have been doing on psychopathy, and on 'successful psychopaths' and Corporate Psychopaths in particular more widely known to management researchers and to managers themselves. In particular the paper presents a theory concerning the Global Financial Crisis which may throw considerable light on its origins.

## Implications for further research

The Corporate Psychopaths Theory of the Global Financial Crisis is a theory that would benefit from further development and research. This research could be into the personalities and moral reasoning aptitudes of the leaders of the financial institutions that are most associated with the Global Financial Crisis. Simultaneous research into the brain chemistry and connectivity of these people may prove to be highly enlightening in helping to establish the nature and extent of their psychopathy.

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<http://www.springer.com/journal/10551>

Journal of Business Ethics

Editors-in-Chief: Greenwood, M.; Islam, G.

ISSN: 0167-4544 (print version)

ISSN: 1573-0697 (electronic version)

Journal no. 10551