

Toxic Leadership

Effective leaders have a unique set of skills that allow them to influence people. When used appropriately, this influence can lead to positive team outcomes. But when a leader exhibits toxic behaviors, it leads to dysfunction in the team and lower overall progress. This paper will discuss three seriously toxic behaviors in leaders, how they influence the effectiveness of leadership, and what the ethical consequences can be. This paper will also discuss action items to prevent these toxic leadership traits.

Toxic Leadership Behaviors

Toxic leadership behavior can take many forms, with consequences ranging from the general annoyance in the team to criminal sanctions. This paper looks at three more serious toxic leadership traits and how they affect leadership effectiveness.

Narcissism

Narcissistic leaders are those who are only concerned with their own self-actualization, social standing, and place in the world. They are self-absorbed and take action to improve these factors, even if it's at the expense of others (HR Zone, n.d.) They have a strong need for power and a strong sense of self-importance and entitlement (Schyns, Wisse, Sanders, & , 2019).

Example: John is a leader of a team working on a new product launch. The team he is working with is well-versed in the product and the best practices to launch it. John has decided that he should be the public face of the new product, and his picture and quotes from him should

be in the literature about it. The team doesn't see how this will enhance the product or the launch and disagrees with him.

As an example... John is very excited about the product and firmly believes it will be a huge seller. John is a narcissist, so he has a strong sense of his own importance. Because of this, he feels that having his name, image, and words attached to the product will boost sales immensely. It doesn't concern him that there is no need for any one person from the company to be the "face" of the product, and to market it in that way would only confuse buyers and lead to lower sales.

John's sense of entitlement and his own importance is getting in the way of the team's ultimate goal, which is a successful product launch.

Psychopathy

A psychopath lacks empathy and doesn't care about the consequences of their actions. They are generally considered intelligent, manipulative, and charming. They lack the ability to learn from their mistakes. Paul Bobiak and Robert Hare estimate the rate of psychopathy in the executive suite to be 3.9% (McCullough, 2019). Psychopathy is characterized by a lack of remorse and a reckless and manipulative interpersonal style (Schyns, Wisse, Sanders, & , 2019).

Example: Elizabeth Holmes started a company, Theranos. She claimed that with their technology, they could use one drop of blood to perform over 300 tests. The tests would be completed in record time and at a much lower cost than traditional blood testing. Theranos entered a partnership with Walgreens to open "wellness centers" and lobbied for patients to get the tests they wanted from Theranos without doctor's orders.

This was seen as revolutionary. Holmes was changing not only how blood tests were done in a very positive way but also how people engaged with their own healthcare. However,

none of the technology actually worked. She conned her way into billions of dollars without producing any actual results.

Holmes was not just a con man, though; many experts believe she was a psychopath. She could charm and manipulate people into doing what she wanted them to (fund her business). She took people such as the Waltons and the Clintons in because she was so good at this.

Holmes took the work of Ian Gibbons, Theranos' chief scientist, including work he had done prior to working for Theranos, and hired patent writers to put her name on the patents, knowing that a patent writer had no obligation to look for prior art, while a patent lawyer would. Gibbons, thinking Holmes would fire him after bringing this practice up, and facing a cancer diagnosis, committed suicide (Cohen, 2019).

Holmes then called Gibbons' widow, not to express condolences but to tell her that she needed all Theranos papers returned to her immediately.

These exhibited behaviors show psychopathic tendencies. Holmes never admitted wrongdoing in the defrauding of her investors; she had no empathy for anyone she took money or ideas from, even when faced with the suicide of her chief scientist. Even though the tests were often inaccurate and could lead to dangerous patient treatment, she continued with her narrative until she was investigated (Hans, 2021). She showed no care for the consequences of her actions except to attempt not to be found guilty at her trial.

Machiavellianism

A Machiavellianism leader acts selfishly. They manipulate and exploit others to achieve their own long-term goals. They are not emotionally attached to the people they lead, and they are not concerned with the effects their behaviors have on other people (Erkutlu & Chafra,

2019). It is often characterized by a cynical take on human nature and a calculating and deceitful interpersonal style (Schyns, Wisse, Sanders, & , 2019). They are willing to use any means necessary to achieve what they want, even unethical means.

Example: I worked as a health and life insurance agent years ago. The branch office I was in was awarded many years in a row for top sales, and the manager wanted to ensure it stayed that way. The market we dealt with was primarily senior citizens. This can be a touchy market because of clients' age and possible mental decline. An agent must ensure the client fully understands the products they are purchasing. Ethically, an agent needs to focus on the client's needs rather than on what would bring the biggest sale.

However, the manager of this branch was much more concerned with the biggest sales than the client's needs. Agents in the office were taught how to manipulate the clients into purchasing more life insurance than was needed, taking out multiple insurance policies, and selling annuities that would not benefit the client.

There would be training sessions with role-playing, where the manager would teach the agents the wording to use, the body language to use, and even when to intimidate the clients into signing the paperwork.

None of this was ethical; some of it was illegal. However, for this manager, it did not matter. He wanted his branch office to be awarded for the highest sales each year. He wanted the prestige and the financial bonus that came along with that distinction. For him, the ends justified the means.

Effect on Leadership Effectiveness and Organizational Culture

The role of leaders as it pertains to organizational culture has been studied extensively. Edgar Schein stated that it could be "argued that the only thing of real importance leaders do is to

create and manage culture; that the unique talent of leaders is their ability to understand and work with culture” (Schein, 2004).

Narcissism

Narcissistic leaders have a negative impact on leadership effectiveness and the culture of the organization. Narcissists tend to go after leadership positions, but their view of themselves as having a superior level of competence is inaccurate (O'Reilly III, Chatman, & Doerr, 2021).

One example of a narcissistic leader affecting organizational culture is that subordinates under a narcissistic leader are more likely to exhibit behaviors such as absenteeism, withholding information, and work sabotage (Butts, 2020).

Narcissistic leaders also tend to recruit people that feed into the leader's ego and punish those who do not. This creates a culture of fear and submission, with little individual thought or willpower (O'Reilly III, Chatman, & Doerr, 2021).

The narcissistic leader is ultimately ineffective because they have stifled their team's creativity. Their overinflated sense of their own superiority does not allow for the ideas of others to take center stage. A team cannot flourish in this type of environment.

Psychopathy

Psychopathic leaders also have a negative impact on leadership effectiveness and organizational culture. Because they have a much-diminished capacity for remorse and lack empathy, psychopathic leaders are often bullies in the workplace.

Bullying leads to a much higher staff turnover, loss of morale, decreased productivity, and poor working relationships. This leads to an overall toxic work culture (Holland, 2020). The psychopathic leader is adept at isolating their target and creating a control culture. This control allows them to shift the blame from their own ineptitude as a leader.

Another way in which psychopathic leaders affect the organization's culture is that they are often high functioning. This means that the people they report to and their peers do not see the problem behaviors; they can hide them when that is to their advantage. It is usually those they see as junior to them that see the toxic behaviors. When a subordinate tries to report this, they are seen as making trouble because the higher management sees no evidence of toxicity. This creates a culture of distrust and disempowerment. Employees and team members need to be able to trust that their concerns will be heard and taken seriously, and a psychopathic leader is manipulative enough and charming enough that they can ensure this does not happen.

Machiavellianism

Machiavellian leaders believe the end justifies the means. They are not concerned with acting in a morally upstanding or ethical way. They are happy with the process if they get the desired results.

One way that Mach leaders affect organizational cultures is that there is often a high level of deceit on their part. This can manifest in their dealings with customers and stakeholders. If telling the truth would take a Mach leader further from what they want, they will opt for a lie instead (Grijalva, et al., 2015). This atmosphere of deception leads to an organizational culture in which it is allowable to be deceitful to clients to get the sale. This has both ethical and legal ramifications.

Another example is when a Mach leader takes credit for work they did not produce. This often happens when a subordinate of a Mach leader creates a work product and shows it to their leader for feedback or approval. The leader then takes credit for the work product with their superiors. The work that the subordinate put in is never mentioned. The Mach leader feels

justified in doing this because it gets them closer to their end goal of more power, money (Schyns, Wisse, Sanders, & , 2019), and more status. When employees do not get credit for their work, they do not put in the full effort any longer. Over time, this can lead to an organizational culture that allows the minimum work to be done without encouraging creativity and extra effort.

Ethical Consequences of Toxic Leadership

In today's world, more people are looking at a company's ethics before deciding to either work for or spend money with that company. This means that toxic leadership has not only an ethical impact but an impact on the company's bottom line. There are many ways that narcissism, psychopathy, and Machiavellianism have ethical consequences.

Narcissism

A narcissistic leader will often not put policies in place regarding ethical behavior. Alternatively, if there are policies in place, they will not usually sanction an employee who goes against those policies. The narcissistic leader largely ignores issues such as discrimination, conflicts of interest, and pay equity between genders (Butts, 2020). This disregard for ethical and often legal policies by the leader leads to a culture of disregard among the leader's subordinates. The leader's effectiveness is much lower because they cannot keep the best employees, who would have an issue with ethical violations.

A leader who is a narcissist does not want to admit when they are wrong. They have such an inflated sense of their own worth that they cannot believe an action they take could have negative consequences. One study found that grandiosity on the part of narcissistic leaders was associated with greater risk-taking without greater financial returns (Simmons, 2020). This is an ethical issue because leaders have an ethical duty to stakeholders to be careful with an organization's finances.

Psychopathy

Boddy et al, states that corporate psychopathy is “a universal issue that can pose various ethical problems for corporations because of the ruthless, selfish, and conscience-free approach to life that Corporate Psychopaths have” (Boddy, Ladyshevsky, & Galvin, 2010)

An organization that has leaders with psychopathic traits is less likely to demonstrate corporate social responsibility. Corporate social responsibility begins with the values and ethics of the organization’s leaders (O’Reilly III, Chatman, & Doerr, 2021). Psychopathic leaders have no empathy for others, so the organization's responsibilities to the public and the world around them are not on their radar. They are only concerned with furthering their own goals, which usually include increasing their income through the company.

Because people are becoming much more aware of corporate social responsibility, this can be very detrimental to an organization. Job seekers are looking more closely at the CSR of a company before agreeing to work with them (Croom, 2021). Customers are also much more concerned with the CSR of a company they purchase from. Therefore, an organization with psychopathic leaders can lose out on talented employees and lose income.

Machiavellianism

Mach leaders value their own interests over any other, including their organization’s interests. When facing a decision that could benefit them personally, or the organization, a Mach leader has no problem with benefiting himself (Schyns, Wisse, Sanders, & , 2019). Because a corporate leader has an ethical responsibility to make decisions in the company's best interest, there is a breach of ethics.

Mach leaders are also very willing to lie if it would further their own goals (Schyns, Wisse, Sanders, & , 2019). This may be lying to superiors to get a promotion or higher salary or to avoid sanctions. It could also mean lying to customers in order to get higher sales. A Mach leader will lie to subordinates to get them to do what the leader wants. As long as it furthers the Mach leader's own interests, they have no problem with it. Any dishonesty by a leader is an ethical issue.

Preventing Toxic Leadership

Narcissism

Many traits of narcissism seem to make a person uniquely suited to being a leader, such as having a solid vision and convincing others to follow that vision (Schmid, Knipfer, & Peus, 2021). However, study results vary on whether a narcissistic leader benefits or hinders an organization.

Set Boundaries

It is difficult to reign in a narcissistic leader's arrogance and sense of entitlement. In order to prevent negativity, very clear and firm boundaries must be established (O'Connel, 2021). Narcissistic leaders have to know that under no circumstances will they get by with pushing those boundaries, regardless of their place in the organization's hierarchy.

Subordinates to the leader can establish boundaries, also, though it will be more difficult and may come with consequences. A subordinate needs to make it clear to the narcissistic leader that certain behaviors will not be tolerated. If it continues, then the subordinate has to look at

their options. They may have a union they can discuss the issues with, and depending on the situation, there may be an ethics board or legal consequences for the behavior.

The superiors of the leader have to enforce these boundaries also. If the organization's top management allows it to happen, the narcissist will continue to push the boundaries, resulting in a toxic work environment.

By not allowing the toxic behaviors of a narcissistic leader, the organization is showing all other employees that while they value the leader's skills, they value their other employees just as much. This show of support from the organization leads to a better working environment for all employees. The employees will be more motivated to work harder for the organization once they are shown this support.

Psychopathy

A psychopathic leader is very good at negotiations face to face. They come across as charming and can manipulate situations in their favor. They are very good at pushing their own interests to the detriment of others.

A 2016 study (Crossley, Woodworth, Black, & Hare, 2016) showed that while corporate psychopaths excel in face-to-face communication, they are not able to manipulate people and situations as well in digital communication, such as email.

An action that can be taken to negate the negative consequences of this toxic leadership trait is to keep communications in email whenever possible. This has two benefits. Because he cannot manipulate the situation as well if he is not face to face, the psychopathic leader is at a disadvantage, which levels the playing field. It also keeps a record of communications. This can be very important if the psychopathic leader denies what he has said.

By documenting communications so that there is no question of what was said or not said, an organization's leadership can manage conflict more effectively.

Machiavellianism

A 2016 study showed that Mach leaders perform best in organizations without strict rules and structure. For example, a position where the emphasis is on creativity and innovation. They do less well in an organization with rigid rules and tend not to follow those rules. Many of the traits of a Mach leader lend themselves well to positions that call for thinking outside the box to accomplish a goal.

One action that can be taken with a Mach leader is to put them in a role that offers less rigidity in the rules and more room for ambiguity. That is not to say that an organization should give them leeway to be unethical, of course. However, a role with more room to maneuver would suit them better.

This will allow the leadership to be more effective as there is not as much concern for ethical violations with the Mach leader trying to get ahead.

Power and Influence

Power and influence are often used interchangeably, but there is a slight difference. Power is the ability to impose your will upon others. Influence is the ability to affect others' thoughts and beliefs. They are sometimes seen as evil or corrupt. But they are simply a resource that people use in relationships. They can be used either positively or negatively. Both power and influence come into play in both positive and toxic leadership behaviors.

Positive Leadership

When positive leaders have power and influence over their colleagues, subordinates, and superiors, good things happen for the organization. When a positive leader delegates tasks, for

example, it is not seen as a negative thing by the employee. It is seen as very positive because the leader trusts and empowers the employee to complete the task given.

Authentic leadership theory has five traits of an authentic leader: self-awareness, moral perspective, balanced processing, transparency, and authentic behavior (Strom, 2020). These traits in a leader increase the work environment's positiveness through employee perception. With that positive perception, employee engagement increases. Strom's study showed that employees develop long-term engagement with the organization when they trust their leadership.

This means that employees will work harder for the organization, stay in their jobs longer and be more innovative in their roles. This helps the organization get closer to its goals.

Toxic Leadership

Power in the wrong hands or used inappropriately can damage any organization. Most people want to be seen as powerful or influential, and some will engage in destructive behaviors to get or keep that power. Those in a leadership positions can use their power and influence negatively, which can inhibit their organization from reaching its goals.

Toxic leadership leads to a high staff turnover and high rate of burnout and leaves the organization open to more lawsuits and ethics violations. Toxic leaders do not make an effort to coach, train or mentor those junior to them, and they don't have the patience or see a need to do so. Developing teams and employees is vital to the growth of an organization.

The biggest issue for organizations with toxic leadership is that others often imitate the negative behaviors displayed by a leader. They see the power and influence the leader has, and they want a part of it, so they emulate the leader, even in their toxic behaviors (Aubrey, 2012)The toxicity spreads throughout the organization. The organizational culture declines.

There is a lack of motivation and teamwork within the organization. This has a significant impact on the organization's bottom line and their overall goals.

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Aubrey examines the possible cause and effect relationship between toxic leaders and the damaging cultures they foster. He then explores the moderating environmental effects that may increase or decrease the organization's vulnerability to the damage caused by toxic leaders.

Management and leadership need to be aware that toxic leadership doesn't always end if the toxic leader is controlled or removed. It trickles down into the rest of the company, changing the company culture.

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<https://apps.dtic.mil/sti/pdfs/ADA560645.pdf>

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This paper proposes that corporate psychopaths are commonly found in senior management positions. It goes on to show that this is a huge issue that can cause serious ethical problems for organizations because of the conscience-free approach that corporate psychopaths have.

Management and leadership need to be aware of the signs of corporate psychopathy and be prepared to step in at the first sign of trouble, in order to control him. If he can't be controlled, then for the good of the company, he must be removed.

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https://greatergood.berkeley.edu/article/item/how_narcissistic_leaders_make_organizations_less_ethical

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Butts states narcissistic leaders affect their organization and their organizational culture, not by “creating new narcissists” but because they create a culture that allows, and even encourages people to work less collaboratively and less ethically than the otherwise would. They also affect culture through ethical policies that they fail to put in place or fail to sanction violations of these policies.

Because leaders have such a profound effect on the culture of an organization and the employees of the organization, management needs to be very clear on what they expect from their leaders. Stopping them before they can create this culture of unethical behavior is critical.

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This interesting article was the result of an interview from a Psychiatrist who know Elizabeth Holmes (from Theranos) from childhood. He was not treating her, but knew her and her family well. It gave insight into the mind of a “possible” corporate psychopath. Since he was not treating her, he could not formally diagnose her, of course, but he saw many signs in her that made him think the corporate psychopath label fits.

Elizabeth Holmes was so successful, for a time, because she could easily lie, con and manipulate people. Those in management and leadership need to be aware of the behaviors and traits of corporate psychopaths so that they can avoid bringing them on, or if that is not possible, take steps to control any damage they may cause.

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Croom, S. (2021, June 6). *!2% of Corporate Leaders Are Psychopaths. It is Time to Take This Problem Seriously*. Retrieved from Fortune: <https://fortune.com/2021/06/06/corporate-psychopaths-business-leadership-csr/>

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This article discusses corporate psychopathy as an ethical issue. The author believes that a high percentage of unrecognized psychopathy in senior management can lead to billions of dollars of loss annually and reduced shareholder wealth. He goes on to say that psychopathic leaders also affect an organization's bottom line due to the lack of corporate social responsibility that they display.

More and more employees are looking at CSR when deciding to work for a company.

Customers are also considering this more now than ever before. Without ethical leadership, a company doesn't have a good sense of CSR. Therefore, both highly skilled potential employees, and customers with money to spend, will look elsewhere. It's management's responsibility to make progress towards an organization's goals, and this will only inhibit that.

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Crossley, L., Woodworth, M., Black, P. J., & Hare, R. (2016). The Dark Side of Negotiation:

Examining the Outcomes of Face to Face and Computer Mediated Negotiations Among Dark Personalities. *Personality and Individual Differences*, 91, 47-51.

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This study analyzed face-to-face and computer-mediated communication in corporate psychopaths. It was found that they were able to better negotiate in face-to-face communications, but lost that advantage in computer-mediated communications, such as email. They were not able to use their charm and manipulation as easily via email. Another benefit to email communication with these corporate psychopaths is that everything is documented so if there is a conflict about what was said or who said it, it can be easily resolved.

Keeping a paper trail of communications with corporate psychopaths, especially those in leadership roles, is one way to mitigate the damage they can do. Management and leaders should be aware of this and take steps to put policies in place regarding communication on various things.

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This study explores the link between Mach leadership and employee silence, defined as the intentional withholding of information, opinions, suggestions, or concerns about potentially important organizational issues. The study focuses on the process by which Mach leaders affect follower outcomes such as employee silence, among others.

Employee silence is a highly dysfunctional behavior in an organization. Because of this, the factors that contribute to this employee silence have become an important theme in management. Severe consequences can occur when these factors are ignored.

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Georgia State University Law Review, 37(2), 427-469.

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This is a case study regarding the trial of Elizabeth Holmes of Theranos. She is widely believed to be a corporate psychopath. He explains why Holmes and the company were able to get so far based on lies, manipulation, and intimidation.

The behaviors displayed by Holmes are, unfortunately, not unheard of in the corporate world. This case had not only ethical but criminal violations. In order to protect their organizations, management needs to know the signs of deception and manipulation so they can stop it before it causes irreparable damage.

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This study explores the relationship between toxic leaders and their effect on staff and the performance of the organization. Specifically, it looks at bullying, a characteristic of the psychopathic leader.

Managers and leaders need to be aware of the detrimental effects of this type of toxic leadership and how it can affect work performance and the goals of the organization in a very negative way.

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<https://www.hrzone.com/hr-glossary/what-is-narcissistic-leadership>

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This short article gives a working definition for a narcissistic leader and their traits. The author states that the damaging effects of a narcissistic leader can be more acute if the leader is in a senior position, as they have more control over decisions made within the organization.

A basic understanding of a narcissist and their traits can only help management and leadership when they are looking hiring or promoting people. These traits must be taken into consideration for the good of the organization.

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<https://www.forbes.com/sites/jackmccullough/2019/12/09/the-psychopathic-ceo/?sh=38c6b552791e>

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This Forbes article goes a bit deeper into the characteristics of psychopathic leaders, giving multiple real life examples of toxic behaviors from them. It touches on the Me Too movement and how it's related to corporate psychopath, Harvey Weinstein. It also mentions Elizabeth Holmes, of Theranos, who is widely seen as a corporate psychopath.

It's vital that the management and leadership of an organization know when someone is simply "being a jerk" and when they are showing corporate psychopathic traits. Many firms have psychological tests that they have potential employees go through, but these corporate psychopaths often slip through the cracks because of skills at manipulation. Then they end up as senior management entirely too often.

MSML ANNOTED BIBLIOGRAPHY (WHEELER)

O'Connel, B. (2021, February 23). *The Damage Done: Dealing With Narcissists in the*

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<https://www.shrm.org/resourcesandtools/hr-topics/people-managers/pages/narcissism-and-managers-.aspx>

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This article from SHRM not only defines narcissism in the workplace and gives examples, but it also discusses some strategies to protect employees and the organization from the negative impact a narcissistic leader can have.

It's not enough to be able to spot a toxic leader. The organization must be prepared to step in and control the harmful behaviors before it negatively affects the organizational culture and the organization's bottom line.

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O'Reilly III, C. A., Chatman, J. A., & Doerr, B. (2021, September). When "Me" Trumps "We":

Narcissistic Leaders and the Cultures They Create. *Academy of Management Discoveries*, 7(3), 419-449.

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This study examines how a leader's personality can affect an organization's culture.

Their results show that leaders who are more narcissistic are less likely to demonstrate integrity and collaboration. This, of course, trickles down to the rest of the organization.

The culture of an organization can be very helpful or very harmful to the organization's bottom line and its capabilities of recruiting the best talent. A strong organization with a culture of integrity and collaboration is going to attract better employees who will help the organization reach its goals.

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Schein discusses how leadership affects organizational culture. He states that leaders' main responsibility is to create and manage the organizational culture. He goes very in-depth about how leaders create a positive culture in an organization.

This information is very important from a management and leadership perspective.

Recognizing that it's the leaders who set the culture and then being able to choose the right leaders, so they set the right culture for an organization is vital.

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In this research article, Schmid, et al, discussed the relationship between leader narcissism and overall organizational performance. The study found that narcissists are driven to leadership and possess skills unique to that role. However, their success or failure in that role depends on the level of narcissism exhibited and the context in which they are exhibited.

For management, this is an important distinction because, in some contexts, narcissistic traits can be beneficial to the organization's overall goals. Senior management simply needs to be aware of the contexts in which they can be helpful and the contexts in which they can be hurtful.

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The article discusses, at length, the “dark triad” (narcissism, psychopathy, and Machiavellianism) and strategic behavior. It discusses specific toxic behaviors from this dark triad and then goes into detail on ways that management can mitigate the damages of these behaviors and control those with the dark triad traits.

From a management and leadership perspective, this article is important because it discusses narcissists, psychopaths, and Machiavellians not only as leaders, as most of the literature does, but also as followers. Nobody starts out their career as a leader, so discovering these traits before an employee makes it to a leadership role is crucial.

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C203 BECOMING AN EFFECTIVE LEADER

This Stanford Business article discusses narcissistic leaders and the damage they can do to an organization. It lists examples such as narcissistic CEOs are more likely to engage in fraud and other white-collar crimes, aggressively pursue tax avoidance, manipulate earnings, and abuse their authority. They are likely to lie, cheat and steal in order to get what they want and further their own status.

Any of these behaviors can damage an organization to a point where it would be very difficult, if not impossible, to come back from. The best thing senior management can do is to avoid putting these personality types into positions where they can cause harm to the company.

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C203 BECOMING AN EFFECTIVE LEADER

This article discusses the relationship between authentic leadership and that leadership's use of power to improve employee performance. They found that positive leadership and appropriate use of power together increase the long-term outcomes of organizational identification, organizational commitment, and firm performance.

It's not enough for management to simply pay lip service to the idea of authentic leadership and appropriate use of power. All too often, that power is in the wrong hands and has a detrimental effect on the organization for a while. This study shows exactly how leadership and power, when used positively, can move an organization toward its goals.