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The Dark Side of Flattery

Flattery can trigger resentment and ironically damage the social capital of those who accept it.

In 2001, the Security and Exchange Commission sued Albert Dunlap, the CEO of Sunbeam Corp., for accounting fraud. Dunlap, who was then known as an expert in turning around troubled firms and selling them for a profit, was eventually barred from serving as an officer or director in any company. How he managed things internally in each firm he led is disputed, but much was said about his intimidation of other managers who may have thought it safest to flatter him.

Dunlap was also ordered to compensate defrauded investors who won a class-action lawsuit against him. An interesting detail of Dunlap's downfall was that managers around him were quick to provide information that helped the investigation, a far cry from the many firms with management teams that do all they can to deter and obstruct investigators. Is there a systematic reason for this difference? Possibly.

A recent article in *Administrative Science Quarterly* by Gareth Keeves, James Westphal and Michael McDonald looks at what happens when managers ingratiate themselves with their CEO through flattery and other tools.

Ingratiation is grating

First, managers who flatter their CEO quickly grow resentful of that person.

As the authors put it, "by violating prevailing ideals of authenticity, autonomy and meritocracy, the act of ingratiation can pose a threat to the ingratiator's positive self-regard." Unhappy with their own behaviour, flatterers externalise the guilt, blaming the very recipient of their flattery. In a sad case of 'upward' discrimination, the resentment is multiplied if the flatterer is a white male and the CEO is a racial minority or a woman.

Even managers who simply witness their peers flattering the CEO have a tendency to grow resentful, especially if they see their peers being rewarded for it.

Et tu, Brute?

Second, and perhaps more importantly, resentful managers may go on to damage their CEO's social capital.

The light-handed version of this is the tendency of managers to engage in negative commentary about a CEO's leadership when communicating with journalists, as this research showed. Aside from blunt criticism, managers (often under the cover of anonymity) used faint praise of the CEO or made indirect statements that reflected poorly on the CEO. Each type of negative commentary was associated with more negative subsequent coverage of leadership, further damaging the CEO's reputation in the business community.

The heavy-handed version is what happened to Dunlap. Among other events, his comptroller described how Dunlap had pushed for accounting practices that crossed legal boundaries, and sales people were quick to report “channel stuffing.” Channel stuffing is the selling of too many goods, too early, a legal practice in itself (the sales channels can return unsold goods, so it is safe for them) that becomes illegal when the sales are accounted for as if they were final. The SEC (and some investors) suspected such practices were going on at Sunbeam Corp., which meant that the apparent turnaround in sales and profits was actually a fraudulent scheme.

Mitigating factors?

In the research, a few factors reduced the correlation between ingratiation and resentment. These include:
• Friendship ties between the manager and the CEO
• Similar demographic characteristics between them
• How much flattery the manager receives from his or her own subordinates
• Company success, as shown by the return on assets and the market-to-book ratio

Nearly everyone appears to appreciate flattery. As the saying goes, “flattery will get you everywhere”. However, it can come at a high cost for the receiver.

Seeking flattery is never thought of as a good thing. What we now know is that it also triggers social undermining, and for those who have real weaknesses – like a CEO engaged in fraud – that undermining can be very consequential.

Higher-ups would be well advised to keep their egos in check.

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