
Deviant Leaders: Falling Hard



By Jane Williams, Editor, Knowledge Arabia

Can top bosses be rude, abusive, egocentric and fiscally irresponsible, as long as the bottom line looks good?

When it comes to infringements around the office, business leaders seem to get away with a lot: A blind eye may be turned when a manager swipes his company credit card to cover a US\$200 private lunch, but a worker caught stuffing a coffee tin from the tea room into his backpack could expect to face great condemnation and possibly the loss of his job.

But there's a limit, even at the very top, as former CEOs Bernie Ebbers (WorldCom), Dennis Kozlowski (Tyco International), and Kenneth Lay (Enron) discovered. When leaders fall, they fall hard.

New INSEAD research has found leaders in general receive greater leniency for their perceived anti-social or "deviant" behaviour, but when a line is crossed - when their deviant actions are perceived to be "most severe" - they face harsher punishment than would an underling.



“Research shows that because of their power and status leaders are perceived as deserving of certain privileges,” **Natalia Karelaia**, INSEAD Assistant Professor of Decision Sciences and co-author of the paper **When Deviant Leaders are Punished more than Non-leaders: The Role of Deviance Severity** told INSEAD Knowledge. “But prototypical leaders are also expected to act in a responsible and just manner, so when severe deviances – those that inflict significant harm on others – are committed by

leaders, they are likely to be seen as significant acts of betrayal of leadership expectations.”

Too Much Power?

Prior research has shown too much power can lead to unconstrained, socially inappropriate and less moral behaviour. In fact there are suggestions deviant behaviour abounds among high-status power-holders where rule-breaking, aggressive risk-taking and lack of self-restraint are perceived as traits of a successful leader, and accepted until it becomes too severe to ignore. Whether questionable behaviour is seen as severe or within society’s norms depends on the perceived harm done to others, notes Karelaia. As such it is very subjective and open to manipulation giving the media, with its ability to manage public sentiment, a great deal of power when it comes to how leaders are punished.

Take Rupert Murdoch, CEO of global media conglomerate, News Corporation. The operating tactics adopted by his company ran virtually unchecked, resulting in reporters virtually spying on the private lives of high profile movie-stars and politicians. Though the “victims” in question were public figures and therefore legally susceptible to public scrutiny, a line was crossed: when the phone-tapping allegations focused on the harm inflicted on the family of a murdered child, public condemnation resulted in an official investigation into the tactics used.

It also explains why some banking chiefs survive trading scandals - such as JPMorgan Chase’s Jamie Dimon - others, like Barclays’ CEO Bob Diamond and president Marcus Agius were not so lucky: when it was revealed Barclays’ (and other major banks’) attempts to manipulate LIBOR interest rates affected millions of people and trillions of dollars of student loans, home mortgages and credit cards, Diamond stepped down.

Blowing the Whistle

“If the media brings to the attention of the general public the impact certain acts have on employees, clients and their families, then the perception of the magnitude of harm can be affected,” notes Karelaia. “The findings from our research imply that by changing the perceived magnitude of harm we can change the extent to which wrong-doers are seen as more or less villain.”

The research paper was based on four studies. The first two involved surveys in which participants were asked to assume the role of HR consultants and evaluate the actions of two employees, a senior executive in a large company and a staff assistant. One study provided descriptions of four deviant acts, ranging from being late for meetings to sexually harassing co-workers and asked participants to rate the severity of each act and how severely the hypothetical wrong-doers should be punished. The second survey kept the nature of deviant acts the same but changed the extent of the harm. In both studies, in cases of low-severity punishment recommendation for the assistant were stronger than for the executive, while in contrast in high severity cases causing more significant harm to victims, the leader was more severely punished.

The third and fourth studies were laboratory experiments where participants observed certain deviant behaviours – either of a team member or team leader – and were given the power to punish. The results again showed that leadership status protects its holders against punishment for mild misbehaviour but becomes a liability for severe deviant acts. In the fourth study participants were explicitly told the leadership position did NOT involve any extra responsibilities or obligations and consequently the difference between how leaders and non-leaders were punished for severe misbehaviour disappeared, suggesting that perceived betrayal of leadership responsibilities explains why leaders are punished more than non-leaders for deviant acts seen as severe.

Punishment

“It was reassuring to find the consistent pattern of results in all studies clearly supported our hypothesis that punishment is determined both by leadership status of the deviant and by how severe the deviance is seen by punishers,” Karelaia says.

Participants in both exercises came from France and the United States, countries where research suggests the concept of leadership is somewhat glorified. “In cultures where you expect leaders to be more humble and modest I’d expect the leader would be punished even more for extreme misbehaviour,” notes Karelaia. And in cases where leaders are women it’s possible, given the common stereotype of a woman being someone who takes care of others, the feeling of betrayal, and subsequent punishment, could be even greater.

Corporate governance has evolved over the last decade and leaders are now finding it more difficult to pass off responsibility for their corruption onto lawyers and finance officers. Still, many leave their positions with large settlements and seem immune to punishment. “I’d like to think these findings will at least make people think about the consequences of deviant behaviour among leaders,” notes Karelaia. “By persisting in minor transgressions they may be setting a precedent for others in the company. When a leader goes unpunished for doing something that is not very ethical the general culture within a company can deteriorate and unethical behaviour may become the norm.”

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