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Abstract
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Comments

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MANAGING PSYCHOPATHIC EMPLOYEES

Mitchell B. Langbert

The past three decades have seen one ethics debacle after another. No one knows if business ethics have changed since the days of Jay Gould and the robber barons, but the corporate scandals of recent years make it seem as though ethical standards are worse now than in the nineteenth century. A 2009 PricewaterhouseCooper global crime survey found that 30 percent of corporate officers have experienced fraud in the past 12 months, with about half of the crimes occurring within their firms.[1]

What if a small but definable subset of the employee population were responsible for a major share of corporate crime and ethical breaches? If so, then developing policies that target them would improve the firm's performance, not to mention its ethical climate. In this article I claim that psychopathic employees constitute such a subset, and I suggest human resource policies that can help firms cope with them.

Psychopathy and the Traditional Workplace Paradigm

Traditional management theories overlook the issue of corporate crime as well as the deeper, underlying pattern that psychopathic employees pose. Even the accounting-and-control literature on workplace fraud has neglected the possibility that some employees tend to do wrong. The most influential model of workplace dishonesty is in Donald R. Cresey's *Other Peoples' Money.*[2] Cressey's model of workplace theft focuses on employees who occupy fiduciary roles and are motivated to embezzle by a lapse in conduct (e.g., drug addiction). In contrast, psychopathy is a life-long pattern.

Management paradigms such as Ouchi's *Theory Z* and McGregor's *Theory Y* emphasize trust and the motivation of normal employees. There is limited consideration of the possibility of an antisocial, manipulative, or conscienceless employee who aims to outsmart management. Yet a single psychopathic employee can have devastating effects on a firm as did Jeffrey Skilling at Enron. Skilling facilitated accounting manipulation and deception about earnings that led to Enron's collapse.

I recently asked the listserv of the Labor and Employment Relations Association whether any participant knew of workplace policies concerning psychopathic employees. I received several replies about policies concerning alcoholic, bullying, and violent employees; and several that mentioned Harrison Trice's notion of constructive confrontation in Employee Assistance Plans.[3] But none addressed the separate question of psychopaths. Psychopaths *can* be alcoholics, *can* be bullies, *can* be violent, and *are* anti-social—although the kind that flourish in the corporate world do not evidence these characteristics—but understanding psychopathy requires a different approach.

What is Psychopathy?

In his book *Without Conscience*, Robert D. Hare described psychopathy as a combination of emotional and social deviance symptoms. With respect to the former, psychopaths do not experience emotions; they are socially deviant in the sense that they need excitement and have poor behavioral controls; they are impulsive; and they are antisocial. Furthermore, they lack guilt, remorse, or empathy.[4] In general, corporate psychopaths will emphasize emotional but not social deviance traits. Psychopaths tend to be higher-level executives who succeed despite negative performance reviews.[5] The psychopaths who succeed in the corporate world are a select group who can manage the gaps in their personality structure.

Only about 1 percent of the general population is psychopathic, and a 2010 study found that three to six percent of corporate employees may be responsible for the majority of ethical breaches in corporations. Furthermore, corporate psychopathy tends to be concentrated at the higher levels of organizations. Coincidentally, several of the emotional aspects of psychopathy positively correlate with performance appraisal dimensions, such as communication skills, creativity, and strategic thinking.[6]

Thus, many managers perceive psychopathic patterns as evidence of good communication skills, creativity, and strategic thinking. It is not unusual for top management to support psychopathic employees because of their apparent creativity.

Case-in-Point: Jeffrey Skilling at Enron

One of the most well-known examples of a workplace psychopath is Enron's Jeffrey Skilling. During his tenure as president, *Fortune* named Enron the most creative company for six years in a row. According to the book *Smartest Guys in the Room*, the pervasive culture at Enron emanated the aforementioned signs of psychopathic leadership: the executive team took a life-risking motorcycle ride on rough terrain in Mexico during which one of the executives was seriously injured; one of Skilling's henchmen, Lou Pai, frequently had strippers visit him in his office; Skilling cursed at a short seller of Enron's stock in public and once "gave the finger" to a lower-ranking employee who cut him off in the parking lot; and Skilling was unable to identify CFO Andrew Fastow's self-appointment as lead partner of special purpose entities (SPEs) that were trading with Enron at arm's length as a conflict of interest.[7]

Skilling encouraged Fastow even as he engaged in ongoing breaches of fiduciary duty and self-dealing in obtaining financing from Wall Street. Skilling did not question Fastow's use of Enron stock as collateral to secure loans whose proceeds were used to purchase Enron's failing investments. Enron employees like Vince Kaminski, Jordan Mintz, and Jeffrey McMahon were vocal in assessing the risk of total financial collapse that Fastow's SPEs created. [8] Despite persistent failure, Skilling approved one far-fetched business plan after another, believing that each would be what he called the "big enchilada"—the successful investment that would pay off the firm's escalating debt. One example was an investment in broadband at the peak of the broadband bubble. He believed himself, Fastow, and other Enron senior executives to be geniuses—"guys with spikes"—who were capable of coming up with major breakthroughs even though literally hundreds of their ideas failed and occasionally involved criminality.

Understanding Corporate Psychopathy

In his book *Without Conscience*, Hare points out that the symptoms of white collar psychopaths differ from those of the more general syndrome. They tend to be manipulative, glib and grandiose but less anti-social than blue collar psychopaths.[9] Skilling's case illustrates this pattern. He emphasized mark to market accounting that recognized earnings before they materialized because, he claimed, creativity was all that mattered. He held to this claim even as Enron collapsed because of repeated failures in execution.

Ordinary interpersonal skills can be manipulative. But psychopaths do not feel remorse at lying or manipulating, and they will lie without limit. Psychopaths frequently contradict themselves, and they enjoy harming and bullying others. They cause conflict and turnover, and in the case of Enron, even when thousands of employees had lost their jobs and their 401(k) benefits, Skilling believed he had done nothing wrong and passed a polygraph testing this belief.

In *Snakes in Suits*, the authors argue that corporate psychopaths follow a pattern that involves pawns, patrons and patsies.[10] Psychopaths recruit pawns such as lower-ranking employees or peers, whom they can manipulate. Patrons are higher-level managers whom the psychopath wins over. The patsies are pawns and patrons whom the psychopath has abused. Frequently, psychopaths are charming and can be expert at grasping others' psychological needs. They are excellent at the kind of impression management that is essential to corporate success. Because the psychopath seems charming to higher-ups and co-workers, he or she can counter accusations. In Skilling's case, Andrew Fastow and Kenneth Lay played the roles of pawn and patron. Kenneth Lay and Enron's board were convinced the special purpose entities were legitimate and that Enron's investments were performing well.

As they are uncovered by co-workers, workplace psychopaths become embroiled in conflict. They have trouble with teamwork for the same reason. They will say one thing to one person and something different to someone else. They tend to be flattering of higher-ups and abusive of lower-ranking employees. They can seem trustworthy but use trust against the patsy. Psychopaths in leadership positions create an atmosphere of distrust among followers by discouraging interaction and sharing. Enron was riddled with cross-departmental conflict. The trading department, for example, disparaged the traditional natural gas pipeline business.

Because psychopaths lack empathy, emotion and conscience, they have no qualms about harming their employer or their boss. Not all want to climb the corporate ladder; many seek power or the thrill of manipulating others.

Human Resource Management's Role

Tests for psychopathy, like Robert D. Hare's Psychopathy Checklist Revised (PCL-R), require a trained psychologist to administer and cannot be applied in staffing or employee assessments. Other assessments, such as integrity tests and biodata, are unlikely to work because psychopaths are naturals at gaming tests. Psychopaths have no qualms about inventing fictitious biographical information. They see themselves as having integrity and are likely to depict themselves as so. They enjoy lying.

It is not clear that my recommendations concerning workplace psychopaths can be statistically validated, which is a drawback. The reason is the small number of psychopathic employees. Most of the evidence is clinically based. Recognizing this methodological limitation, the best strategy available now is to look for contradictions in a job applicant's or employee's own narrative. Most employers consider lying in an interview to be inappropriate, and this belief is a foundation for a strategy for identifying psychopaths. It is critical to check résumés for factual evidence by calling former employers. Outright lying should be taken as a potential indication of psychopathy.

Babiak and Hare recommend that firms use structured behavioral interviews to ferret out psychopaths.[11] In structured interviews, the interviewer asks the interviewee to describe his or her responses to past problems. Every interviewee should be asked the same questions involving either how they reacted to past circumstances or how they might react to future circumstances. HR would then review answers for inconsistency. Multiple interviewers should compare answers to the structured interview questions. A candidate who is flattering to a higher level interviewer but condescending toward a lower level interviewer may be psychopathic. Thus, interview processes should include lower level employees. Applicants who are rude to them should be rejected.

Monitoring systems can be simple. Some firms have adopted anonymous tip lines. Discussion of teamwork and integrity in performance appraisal forms might contribute. Companies should also encourage open-door policies.

Training can be helpful. A training program that identifies the psychopathic pattern can help employees recognize it. The content of the program would include a discussion of the traits and characteristics of psychopaths; how they manipulate employees and organizational control systems; why psychopathic behavior is often confused with good or creative leadership, as in the case of Jeffrey Skilling; the pattern of pawns, patrons and patsies; and how the firm can protect itself.

As well, matrix organization structures that encourage interaction across departments will limit the ability of psychopaths to tell one story to one person and another story to another. The more interactive the organization structure and the more porous departments are, the more difficult it will be for psychopaths to manipulate, lie and deceive. Unfortunately, there are no magic bullets. ℵ

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