

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 (Pekel, 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