

Visionaries or False Prophets

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Abstract

Theory and research on the psychology of white-collar offenders has historically been underdeveloped, and our understanding of the prototypical high-socioeconomic-status offenders, such as today's chief executive officers and chief financial officers, first identified by Edwin Sutherland, has not benefited from the application of psychological trait theory. In this article, the author examines the negative synergy that develops when criminal thinking traits combine with the psychological traits of narcissism and psychopathy to create risk factors for white-collar offending. Psychological trait theory may be especially applicable to those who hold some of the highest positions in corporate organizations, who influence corporate culture, and who, at times, are considered visionaries in their respective industries.

Keywords

white-collar crime, psychological traits, psychopathy, narcissism, criminal thinking

Edwin Sutherland is regarded as the scholar that brought the term *white-collar crime* into common usage, describing financial crimes committed by those in the upper socioeconomic echelons of society (Sutherland, 1949). Although Sutherland's observations are not inaccurate, research illustrates that white-collar crime is a broad category, including high-level corporate misconduct, occupational fraud schemes by ordinary citizens, as well as predatory offenders who operate individually without belonging to any organization. Nevertheless, even though Sutherland's prototypical high-status offenders, such as chief executive officers (CEOs) and chief financial officers (CFOs), represent only a fraction of the actual number of fraud offenders, their isolation for study is warranted given the financial and emotional destruction they are capable of inflicting on individuals, organizations, and society in general, due to their positions of authority.

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Consider, for example, that between 1998 and 2007, the U.S. Securities and Exchange Commission named the CEO and/or the CFO for some level of involvement in 89% of its fraud cases, up from 83% of the cases between 1987 and 1997 (COSO, 2010). Within 2 years of completion of the commission's investigation, about 20% of the CEOs/CFOs had been indicted, and over 60% of those indicted were convicted (COSO, 2010). A recent report by accounting and financial services firm KPMG found in a 2011 global survey that CEOs were involved in 26% of organizational fraud cases, up 11% from a similar 2007 survey (Helm & Mietzite, 2011). In the wake of corporate scandals in 2001 and 2002, the Department of Justice created the Corporate Fraud Task Force. In its 2007 report, the department indicated that since the task force's inception, it has obtained convictions or guilty pleas from at least 214 former CEOs and presidents, 53 CFOs, and 129 vice presidents.

Ironically, many of the executives who topped the charts in terms of unethical and criminal practices had earlier been exalted in popular magazines and national newspapers as corporate visionaries. According to Paul Kopperl, chairman of ImClone's audit committee, "I regarded [convicted CEO] Sam Waksal as a visionary who started the company" (*Bloomberg News*, 2002). The *New York Times* initially praised convicted WorldCom CEO Bernard Ebbers as "a long-distance visionary; he was blunt, folksy, the entrepreneurial stepchild of the telecommunications revolution" (Lohr, 1997). Convicted WorldCom CFO Scott Sullivan was named 1998 CFO of the Year by *CFO Magazine* (Yang & Grow, 2005). *Fortune* magazine described Enron's Kenneth Lay as a "revolutionary" (Tourish & Vatcha, 2005, p. 462), who offered "visionary leadership . . . unafraid to redefine the status quo by being bold and innovative" (Georgiou, 2010). Setting aside the fraudulent revenue recognition of \$3 billion resulting in a personal gain of \$52 million from insider stock trading, convicted CEO Joseph Nacchio of Qwest was "considered a visionary for his dogged pursuit of Internet opportunities" (CRN, 2000).

Convicted CEO of CA Inc. Sanjay Kumar, considered a visionary in the software industry (Lyer, 1999), also had the honor of contributing a chapter on his leadership insights in the book *Leadership Secrets of the World's Most Successful CEOs* (Yaverbaum, 2004) before being sentenced to prison for orchestrating a \$2.2 billion scheme involving fraudulent revenue recognition, securities fraud, and obstruction of justice. CEO Jeffrey Skilling, considered another one of Enron's visionaries (Zellner, 2002), was hailed as "the No. 1 CEO in the entire country" (Knapp, 2009, p. 7), and CFO Andrew Fastow, one of the architects of the company's fraud, was named CFO of the Year in 1999 by *CFO Magazine* (Goldstein, 2011). Tyco's convicted CEO Dennis Kozlowski was named a top-25 executive in the country by *Business Week* for his daring nonstop acquisition strategy (Lipman-Blumen, 2005). He was called corporate America's most aggressive CEO (Sweeney, 2002, p. 22) and talked about "as a second Jack Welch" (Kellerman, 2004, p. 45). Bernard Madoff, while perpetrating the largest Ponzi scheme ever—estimated in the billions of dollars—was referred to as "a true global investment visionary" (Jackson, 2012).

Recently, scholars in the accounting and financial field who write about white-collar crime have begun to incorporate psychological scholarship into their disciplines, attempting to create a more holistic picture of white-collar crime and its offenders. Not

only are scholars beginning to explore white-collar crime from a multidisciplinary approach, but practitioners are incorporating findings from researchers into their practice area so that they too can become more refined in their prevention and detection of white-collar crime (COSO, 2010). Also, law enforcement agencies are involved in the profiling of white-collar criminals to increase the efficiency of their investigations into such crimes, as in the Federal Bureau of Investigations' Behavioral Science Unit (Goldstein, 2011).

The purpose of this article is to explore whether the psychological traits displayed by these high-socioeconomic-status offenders may serve as white-collar crime risk factors and to investigate how their traits may be displayed at an organizational level influencing what is commonly referred to as the "tone at the top." A psychological framework may improve our understanding of why individuals such as Madoff and Skilling are more at risk for committing white-collar crimes and how they increase their organizations' propensity toward unethical or criminal behavior. Unlike Sutherland's approach, which put little emphasis on the psychological makeup of white-collar offenders, the modern approach to studying white-collar crime incorporates the offender's psychological traits as important risk factors in the decision to commit crime. As Ramamoorti (2008) points out, white-collar crime is a human endeavor, and it is important to understand the psychological factors that might influence an offender's behavior.

Psychological Considerations

Scholars have only begun to investigate the psychological attributes of white-collar criminals, and research in the criminal attitudes and thinking styles of these offenders is not well developed; however, current research is beginning to reveal a pattern of criminal thinking coupled with negative psychological traits attributable to white-collar offenders that can no longer be considered anomalies (Ragatz & Fremouw, 2010). Criminal thinking has been conceptualized as distorted or concentrated thought patterns involving attitudes and values that support a criminal lifestyle by rationalizing and justifying lawbreaking behavior (Taxman, Rhodes, & Dumenci, 2011). Even though there are differences between white-collar criminals and non-white-collar criminals in regard to the type of crime they may perpetrate against others as well as their educational achievements, professional attainment, and socioeconomic status, they may be similar in how they think about crime and in their attitudes about others and situations to exploit (Samenow, 1984). A common misperception is that offenses are out of character for these well-regarded, educated offenders who under other circumstances would not commit any crimes but for a "temporary moral lapse" (Brody, Melendy, & Perri, 2012).

However, as forensic psychologist Stanton Samenow (2010) posits, people who believe that the offender acted out of character often lack information about aspects of the criminal's behavior and thought processes—there is more to the story than what is initially evident. There are thinking patterns that predate the behavior at issue, and these patterns express themselves at moments of opportunity; the crime may very

much be within the character of the perpetrator because criminal thinking attitudes are crime-classification and socioeconomic-status neutral. Yochelson and Samenow (1976) first proposed the idea of the criminal personality and thinking traits, providing a framework for much of the work done connecting psychopathy and criminal thinking supporting criminal activity (Taxman et al., 2011).

Walters (1995) refined and expanded the model of criminal thinking traits proposed by Yochelson and Samenow (1976), developing the Psychological Inventory of Criminal Thinking Styles. Some of the criminal thinking patterns that offenders display include but are not limited to rationalizations; entitlement (attitude of privilege to resources regardless of the harm to others); sentimentality (doing good deeds to make up for bad acts); power orientation (displays of aggression to control or manipulate persons or situations); and a disregard for rules, norms, and social boundaries. Other traits include a tendency to exploit weaknesses in others, which manifests itself in different forms—be it the human virtues, ethics, and morals that criminals view as weaknesses or the physical differences between the perpetrator and the victim that offenders may take advantage of. For example, a violent offender may be more apt to victimize someone who is frail or young and an easy target to control than someone that may put up resistance.

Analogously, there are white-collar offenders who seek out organizations with weak internal controls. In these situations, criminals are more apt to be successful exploiting weak controls to commit fraud and not be caught than in organizations that have more effective internal controls, where the probability of being detected is accordingly higher. Although white-collar offenders may not manifest their criminality in ways that are easily recognized by the general public, this does not necessarily mean that they do not harbor psychological traits that facilitate criminal decision making (Alalehto, 2003). If psychological traits are important predictors or risk factors for common forms of crime and deviance, their potential application to white-collar crime is a logical extension and an important issue to explore in the context of these offenders (Listwan, Piquero, & Van Voorhis, 2010). Research confirms that there is a relationship between the psychological traits of narcissism and psychopathy, creating a negative synergy when they combine with criminal thinking patterns and increasing the risk of white-collar criminal behavior.

Narcissism and White-Collar Crime

Narcissism has been identified as a fraud offender risk factor (Perri, 2011). Narcissism is a psychological construct that defines an individual's view of self and the environment. Narcissists typically display a pervasive pattern of grandiosity, entitlement, exploitativeness in the pursuit of goals, a need for admiration, a lack of empathy for others, and a belief that one is superior, unique, coupled with inflated views of their own accomplishments and/or abilities. Some have argued that effective corporate leadership may be enhanced by individuals who exhibit productive narcissistic traits because they may be more willing to take risks that other executives in the same position might avoid, but that might be needed in a time of crisis (Maccoby, 2000). However, just as there may be an

upside to this personality trait under some circumstances, there is a negative side that can lead to the victimization of others, when the focus of the leader is not on the higher purpose of the organization but rather on satisfying one's sense of entitlement and egocentricity by committing unethical or criminal acts.

Maccoby (2000) suggests that narcissistic corporate leaders have a strong need for power, high self-confidence, and strong convictions, yet they tend to be overly sensitive to criticism, can be poor listeners, and lack empathy. Narcissistic leaders may find themselves prone to displaying embellished abilities, making exaggerated claims for a corporate vision, portraying images of uniqueness to manipulate audiences, suppressing negative information, and maximizing positive information (Tourish & Vatcha, 2005). For example, some statements by Enron's Jeffrey Skilling appear to illustrate this pattern: "We were doing something special. Magical. It wasn't a job—it was a mission. We were changing the world. We were doing God's work" (Lease, n.d.). Also, narcissists expect the elimination of dissent, the promotion of a homogeneous and insular group mentality, as well as the accumulation of power at the center; they frequently fail to sufficiently consider alternative courses of action (Tourish & Vatcha, 2005).

Narcissism has been linked to low personal integrity corresponding to traits of entitlement, exploitation (Blair, Hoffman, & Helland, 2008), and deviant workplace behavior (Judge, Scott, & Ilies, 2006). In one study of incarcerated white-collar criminals, Blickle, Schelgel, and Fassbender (2006) reported that their subjects were significantly more narcissistic compared to a group of noncriminal white-collar professionals. Offenders exhibiting narcissistic traits of extreme entitlement may not be deterred from committing fraud because they may not "fear being caught or what punishments may come their way" (Bucy, Formby, Raspanti, & Rooney, 2008, p. 417), nor does such entitlement create a moral dilemma for them to resolve (Barnard, 2008). For example, criminal psychologist Reid Meloy was not surprised by Madoff's traits, stating that individuals such as Madoff "don't fear getting caught. . . . They tend to be very narcissistic with a strong sense of entitlement" (Creswell & Thomas, 2009).

Commenting on Madoff's narcissistic traits, former Federal Bureau of Investigations profiler Gregg McCrary, who has spent decades constructing offender profiles, indicated that Madoff, in fooling regulators for decades, would have had a "heady, intoxicating" experience fueling a sense of entitlement and grandiosity (Creswell & Thomas, 2009). McCrary posits that it is reasonable to compare white-collar criminals such as Madoff to non-white-collar criminals who engage in predatory violence:

With serial killers, they have control over the life or death of people, they're playing God. That's the grandiosity coming through, the sense of being superior. Madoff is getting the same thing. He's playing financial god, ruining these people and taking their money.

Compared to non-white-collar offenders, white-collar criminals manifest their aggression differently toward others and organizations to satisfy a motive, creating victims nonetheless (Perri, 2011).

There is wide variation of narcissism among leaders, and while it can facilitate effective leadership, it can also manifest itself destructively (Rijsenbilt, 2011). Given

sufficient opportunity, narcissistic corporate offenders will likely consolidate their power and authority to create an organizational culture that is not only supportive of unethical behavior but whose adherents share the leaders' corrupt vision (Padilla, Hogan, & Kaiser, 2007). For example, one former Enron vice president, in describing Enron's tone at the top, stated, "[You can] break the rules, you can cheat, you can lie, but as long as you make money, it's alright" (Sims & Brinkman, 2003, p. 250). This organizational phenomenon is referred to as *normalized corruption* (Ashforth & Anand, 2003, p. 38), with senior management obsessed with enhancing power and control, encouraged by "a sense of entitlement to special privileges and resources" (Bucy et al., 2008, p. 416).

Aguilera and Vadera (2008) refer to the organization-wide schematic corruption at Enron as facilitated by CEOs Ken Lay and Jeffrey Skilling, who fit the characteristics of narcissistic leadership taking excessive risks (Maccoby, 2000). Tyco's convicted CEO Dennis Kozlowski was described as a "supreme narcissist who was also highly skilled in accumulating power . . . whose actions were motivated by a sense of entitlement" (Bucy et al., 2008, p. 410). He pilfered Tyco's coffers for close to a decade, with no one stopping him until he hit the \$600-million mark (Lipman-Blumen, 2005, p. 126). Another study found that CEOs exhibiting extreme forms of narcissism are more inclined to commit white-collar crimes to keep up appearances, retain their status, and silence critical behavior and dissent (Rijsenbilt, 2011). Senior management displaying high-levels of narcissism are prone to commit fraud because such executives believe that company procedures, rules, and values do not apply to them (Lodder, 2012).

Another characteristic of criminal narcissistic leaders is their tendency to surround themselves with organizational conformists who are accomplices to the fraud crime (Bucy et al., 2008). Individuals who harbor unrealistic impressions of their capabilities, when reinforced by sycophants, lack a reality check and may be more likely to engage in fraudulent behavior than more grounded executives (Janis, 1982). Skilling "did everything he could to surround himself with individuals who had similar values," by hiring employees that embodied his beliefs: "aggressiveness, greed, a will to win at all costs, and an appreciation for circumventing the rules" (Sims & Brinkman, 2003, p. 251). In addition, he "hired people who were very young, because very young people did not insist . . . on questioning authority once they had signed on with him" (Tourish & Vatcha, 2005, p. 464). Kozlowski, explaining to *Business Week* whom he employs, stated, "I choose managers from the same model as myself: smart, poor and wants to be rich" (Jennings, 2004, p. 15). Consequently, the culture of the organization reflects narcissistic leadership, which in turn is reinforced by rewarding and hiring those that best reflect the organization's tone at the top (Duchon & Burns, 2008).

Narcissistic offenders in leadership positions expect unquestioned loyalty and to be given whatever they want regardless of the imposition that it places on others, leaving them incredulous, infuriated, and likely to respond angrily with criticism when those expectations are not met. Executive director John Friedrich, who defrauded the National Safety Council of Australia, was said to surround himself with loyal workers and "demanded unquestioned loyalty" (Sykes, 1994, p. 240). Australian white-collar offender Christopher Skase, CEO of Qintex, is said to have "had a ferocious faith in

the rightness of whatever he was doing” and that he was “very impatient with criticism” (p. 306). CEO Bernard Ebbers of WorldCom demanded automatic compliance from the Board of Directors; it was known as “Bernie’s Board” because few members would ever disagree with him (Jennings, 2006, p. 152). CEO Richard Scrushy of HealthSouth had “no tolerance for criticism or contrary opinions and was exquisitely sensitive to any hint of a personal slight” (Lease, n.d., p. 25).

Narcissism is linked to destructive characteristics, such as manipulating subordinates (Hogan, Rezaee, Riley, & Velury, 2008), setting unrealistic corporate goals and suppressing negative information when the goals are not met (Conger, 1990), engaging in self-serving abuses of power (Maccoby, 2000), and intimidating subordinates through irrational anger (Blickle et al., 2006). In turn, the organizational culture reflects the narcissism of its leaders:

Narcissistic organizational cultures are excessively egocentric and exploitive; they will obsessively employ a sense of entitlement, self-aggrandizement, denial, and rationalizations to justify their behavior in order to protect the collective identity. Such organizations cannot behave ethically because they do not have a moral identity, that is, a self-concept organized around a set of moral traits. For example, they may have formal ethics programs but devise rules that feed and exaggerate the culture’s preoccupation of themselves by enabling excuses and wishful thinking. They give the appearance or image of practicing virtue. (Arjoon, 2010, p. 62)

Enron was a company that illustrates Arjoon’s (2010) analysis. It presented an image that was almost completely contrary to its internal reality, by offering the appearance that virtue was important and by considering its code of ethics as the gold standard. Ken Lay stated, “Values are incredibly important to the fiber of this company” (McLean & Elkind, 2003, p. 353), and “Enron’s reputation depends on its people, on you and me. . . . Let’s keep that reputation high” (Barth, 2003, p. 120). A section of its code of ethics states,

Employees of Enron Corp. are charged with conducting their business affairs in accordance with the highest ethical standards. An employee shall not conduct himself or herself in a manner which directly or indirectly would be detrimental the best interests of the Company or in a manner which would bring to the employee financial gain. . . . Moral as well as legal obligations will be fulfilled openly, promptly, and in a manner which will reflect pride on the Company’s name. (p. 125)

Yet, when Lay was given notice by Enron executive James Alexander about his concerns over accounting irregularities, he was replaced by Andrew Fastow as CFO because Alexander refused to certify the financial statements (Jennings, 2006). When one of Enron’s board members, Brent Scowcroft, questioned the veracity of the financial statements and confronted Lay, Lay employed what is known as classic group-think psychology in his response to Scowcroft: “How could you be right and men of this caliber [referring to Fastow and Skilling] be wrong” (p. 65). Alexander was dismissed, and Scowcroft was brought back into the line of strict compliance that consumed the Enron culture.

Further extrapolating on Arjoon (2010) are observations in which a narcissistic culture of excuses and rationalizations is evident in how these offenders attempt to distance themselves from white-collar crime, illustrating the criminal thinking patterns previously mentioned. For example, regardless of the industry, large organizations such as Enron and WorldCom display bureaucratic characteristics and hierarchical structures; thus, it is not surprising to hear white-collar offenders using rationalizations and excuses to distance themselves from their financial crimes by trying to downplay the power they hold. As the political theorist Hannah Arendt (1969) noted, bureaucracy is “rule by nobody” (p. 81). With corporate crime in particular, especially with the cited examples, it is seldom the case that any one individual is clearly responsible for a particular action. Thus, when a crime is committed, everyone can, with some degree of plausibility, point the finger at someone else (Heath, 2008). The person who carried out the action can blame the person who made the decision; the person who made the decision can blame the person who vetted the decision and so on. Because of the nature of bureaucratic hierarchy, individuals in organizations can always try to pass the blame up to their superiors, who can in turn try to pass the blame back down, by insisting that their subordinates acted independently, without their knowledge (Heath, 2008).

For example, when Ken Lay was indicted for fraud, he conveniently blamed subordinates Jeffrey Skilling, Andrew Fastow, and accountant Richard Causey for Enron’s demise, denying that he had any personal knowledge of the accounting fraud (Behr, 2004). Insisting that he was a victim in an interview with *60 Minutes* before his trial, Lay said, “I don’t think I’m a fool, but I think I was fooled. . . . I can’t take responsibility for the criminal conduct of someone inside the company” (Leung, 2009). Skilling, insisting that he too was a victim, claimed that he was not versed in accounting well enough to know that fraud occurred, and he denied all knowledge of any fraud at Enron or that there was anything wrong with the company at the time that he resigned in 2001 for personal reasons: “I had no idea the company was in anything but excellent shape” (Schwartz, 2002). In turn, Enron’s CFO Andrew Fastow, who actually structured the financial statement fraud, testified at trial that he was encouraged by his superiors, Lay and Skilling, to make the financial health of the company look as positive as possible and to avoid public disclosure (Flood, 2006).

WorldCom’s Bernard Ebbers, known as a micromanager who poured over financial statements, denied any knowledge of fraud, claiming not to know enough about accounting to be aware of any fraud and that CFO Scott Sullivan and his subordinates kept him in the dark. He stated that he was “shocked. . . . I couldn’t believe it. I never thought anything like that would have gone on. I put those people in place. I trusted them” (Belson, 2005). In turn, Sullivan testified that Ebbers knew of the fraud, when Ebbers told Sullivan not to issue an earnings warning to Wall Street, giving Sullivan the green light to create fake profits (Yang & Grow, 2005). Ironically, when it is to their benefit, they exalt themselves as being the best and brightest executives, taking credit for the successes, but they become conveniently unaware of fraud at the very organization over which they ostensibly exerted tight control.

Psychopathy and White-Collar Crime

According to forensic psychologist Robert Hare, “not all psychopaths are in prison, some are in the Boardroom” (Babiak, Neumann, & Hare, 2010, p. 174); furthermore, they are prone to being exceedingly manipulative, narcissistic, and ruthless (Steinberger, 2004). However, the majority of the literature on psychopathy has focused on the relationship between psychopathy and what is commonly referred to as *street-level offenses*, such as violent and property crimes. Not all psychopaths are violent and incarcerated criminals; some are unethical and predatory business associates (Walsh & Hemmens, 2008). In business contexts, psychopathy has been related to irresponsible leadership and increased incidences of white-collar crime (Babiak et al. 2010). Psychopathy—which involves traits of remorselessness, exploitation, manipulation, and antisocial behavior—is considered a fraud offender risk factor (Perri & Brody, 2012). Although current evidence tying psychopathy to negative outcomes within a business environment context is understudied and its connection to white-collar crime requires further refinement, its importance for further empirical research cannot be overstated (Smith & Lilienfeld, 2012).

In quoting Dr. Hare, (Deutschman, 2005) states,

There are certainly more people in the business world who would score high in the psychopathic dimension than in the general population and you’ll find them in any organization where, by the nature of one’s position, you have power and control over other people and the opportunity to get something.

Citing notable corporate scandals, some have suggested that CEOs and other corporate executives should be screened for psychopathic traits, given the billions of dollars they are asked to manage (Deutschman, 2005; Mathieu, Hare, Jones, Babiak, & Neumann, 2012). Psychopaths see empathy and a sense of responsibility—qualities usually considered as the epitome of goodness and humanity—as signs of weakness to be exploited, laws and social rules as inconvenient restrictions on their freedom (Hare, 1993). Consider the insight of convicted offender Samuel Antar (2010), former CFO of now-defunct consumer electronics business Crazy Eddie, displaying criminal thinking traits previously mentioned and supporting Hare’s observation:

White-collar criminals consider your humanity, ethics, and good intentions as weaknesses to be exploited in the execution of their crimes. We measure our effectiveness by the comfort level of our victims and we increase our victim’s comfort level by building walls of false integrity around ourselves. . . . Your laws and customs make it easier for us to commit our crimes. It’s a paradox. The more humane the society is, the easier it is to commit crimes. Humanity limits your behavior, but it doesn’t limit ours.

One’s humanity might consist of one’s morals, standards of conduct, goodwill, ethics, sense of fairness, giving one the benefit of the doubt, and belief in the rule of law. Antar (2010) states that one’s humanity may make one a better person, but it also

makes it easier for criminals to commit their crimes because they are under no constraints to reciprocate the victim's humanity. Antar accurately describes his criminal attitude: "Crazy Eddie was built on deceit. . . . We were nothing but cold-hearted and soulless criminals. . . . We were two-bit thugs" (Knapp, 2009, p. 106). What is problematic when the individual characteristics of white-collar offenders are ignored is that important factors in their offending patterns may be overlooked. Specifically, according to Hare and Babiak, white-collar criminals' fraudulent activities may reflect a virulent mix of criminal thinking and personality traits, including grandiosity; a sense of entitlement; a propensity to deceive, cheat, and manipulate; a lack of empathy and remorse; and the view that others are merely resources to be exploited—callously and without regret (Carozza, 2008, p. 38). Psychopathic white-collar offenders often are "heavily involved in obscenely lucrative scams of every sort where they lead lavish lifestyles while their victims lose their life savings, their dignity, and their health—a financial death penalty" (p. 38).

Psychopathic white-collar offenders display traits swaying more toward being egocentric, pathological liars, charming, conning, narcissistic, patronizing toward others, and attitudes of entitlement when compared to non-white-collar psychopathic offenders (Poulin, 2011; Ragatz, Fremouw, & Baker, 2012). Psychopathic offenders high in conscientiousness prefer planned rather than spontaneous behavior and are able to effectively control and regulate their impulses by keeping their behavior in check, controlling their destructive impulses, and preventing detection (Burkley, 2010). Psychopathic offenders, more than others, are responsible for organizational white-collar crime because they search for weakness and vulnerability in other people or organizations to exploit (Hakkanen-Nyholm & Nyholm, 2012).

Psychopathic white-collar offenders, though not acting out of impulse but still exploitative, have traits that drive offender intentions reflecting egocentricity, manipulation, exploitation, and a Machiavellian attitude where the means justify the ends regardless of the criminal nature (Ray, 2007). Interestingly, Jeffrey Skilling was known as "The Prince" (Tourish & Vatcha, 2005) after the book of the same title by Niccolò Machiavelli (1532), in which the medieval author outlined governance and manipulation techniques to maintain power, observing that the "ends justify the means." The book is responsible for bringing the word *Machiavellian* into wide usage as a pejorative term, also used in psychological scholarship. Subordinates to Skilling were "instructed to read *The Prince* from beginning to end" (p. 462). One former Enron executive read the book, which "helped in understanding better how to deal with Mr. Skilling [because] when Jeff started to take over, I felt like I was being eaten alive" (Schwartz, 2002).

Executives that display psychopathic traits are attracted to fast-moving situations that are associated with the corporate world, and the psychopathic traits they display are heavily weighted in narcissism and Machiavellianism because they are rewarded for manipulative, deceptive, and ruthless behavior (Schouten & Silver, 2012). Manager and executives with such traits display a "self-centered manipulation and lack integrity can bring down an entire corporation, causing financial and emotional damage to thousands or tens of thousands, think Enron" (p. 147). These leaders may list short-term achievements but in the long term destroy the internal culture and spirit of an

organization (Hakkanen-Nyholm & Nyholm, 2012). In observing traits displayed by Enron's Jeffrey Skilling, clinical psychologist Ellsworth Fersch stated,

Skilling possessed the traits of a corporate psychopath. He was manipulative, glib, superficial, egocentric, shallow, and impulsive, and he lacked guilt, remorse and empathy. Skilling ruined thousands of people's lives by committing insider trading and fraud. Billions were lost overnight including retirement and life savings. Furthermore Skilling claimed to be innocent and said he was the victim. Since Skilling was a high level executive at Enron, he knew that illegal business practices were going on and could have easily stopped or reported them. . . . In court Skilling told lie after lie. (Fersch, 2006, p. 107)

Individuals exhibiting psychopathic traits are intensely aware of the importance of impression management. *Impression management* refers to the process by which a person tries to influence how others perceive or think of him or her or certain situations, usually in a favorable manner. This concept parallels what CFO Samuel Antar referred to as "building walls of false integrity" to gain the trust of those whom the offender is deceiving to exploit. Again in referencing Jeffrey Skilling, business and financial analysts who covered the company stated that he "spoke often of the optics," that is, how issues confronting Enron appeared to outsiders (Schwartz, 2002). When Skilling was confronted with questions that placed Enron in a potentially negative light, it was imperative for him to maintain control by intimidation and belittlement, targeting those who inquired. Consider the comments of investment analyst and writer for *Fortune* magazine Bethany McLean, who interviewed Skilling about accounting and financial irregularities that she observed at Enron. She reported that "Skilling became irate, calling her ignorant and unethical for asking such questions [about Enron's practices]" (Fersch, 2006, p. 119). When she first broke the story, she was referred to as someone who "doesn't know anything," and attorney Loretta Lynch, in questioning Enron's practices, was referred to as "an idiot" (Sims & Brinkman, 2003, p. 248).

Bernard Madoff used his sharp mind and affable demeanor to manage an impression of integrity that did not exist, lulling his victims into a false sense of security by constructing his own walls of false integrity. Madoff intensely engaged in impression management by controlling his public image down to the minutest details. According to former Federal Bureau of Investigations profiler Gregg McCrary, "people like him become sort of like chameleons . . . very good at impression management. They manage the impression you receive of them. They know what people want, and they give it to them" (Creswell & Thomas, 2009). Madoff cast himself as a crusader, protecting the interests of smaller investors, and as a philanthropist, displaying his piety within the Jewish community while assisting the securities regulation community. As one observer noted, "he appeared to believe in family, loyalty and honesty. . . . Never in your wildest imagination would you think he was a fraudster" (Creswell & Thomas, 2009). Criminal psychologist Reid Meloy states,

It makes sense that Madoff courted regulators even if it ran the risk of exposing his own action. . . . In a scheme like this, it's very important to keep those who could threaten you very close to you. You want to develop allies and their attitudes towards you. (Creswell & Thomas, 2009)

As Babiak and colleagues (2010, p. 175) posit, one way to respond to the potential financial havoc resulting from unethical decisions within an organization is through a deeper understanding of the individuals who are likely to engage in those decisions: successful psychopaths. However, the construct of successful psychopathy needs further empirical refinement and should not simply be based on anecdotal evidence of an expression of psychopathy (Smith & Lilienfeld, 2012). Successful psychopathy typically refers to individuals in the general population who possess some degree of psychopathic traits but who avoid contact with the criminal justice system, potentially even attaining success in certain domains of life; such psychopaths are at times referred to as *corporate psychopaths* (Stevens, Deuling, & Armenakis, 2012). They are more likely to respond unethically to ethical dilemmas, resulting from a unique constellation of manipulative tendencies, blunted affect toward the concerns of others, and a proclivity toward violating social norms and morally disengaging from such dilemmas by reframing their cognitive perceptions, better known as *rationalizing* (as previously discussed). It has been hypothesized that successful psychopaths may have enhanced neurobiological functioning, enabling their normal or even superior cognitive functioning (Gao & Raine, 2010).

Successful psychopaths may be more apt to engage in white-collar crimes due to their enhanced cognitive function, education, less unstable lifestyle choices, better behavioral controls, and less impulsivity than the nonsuccessful psychopath, who resorts to violence or other criminal behaviors (Gao & Raine, 2010). Trivializing pathologies and perceiving them as normal disturbances is detrimental in an organization that is already displaying bullying, toxic behaviors, aggression, and undiagnosed or misdiagnosed pathologies in leaders—all precursors to ever-escalating organizational dysfunction (Gudmundsson & Southey, 2011). For example, Babiak and Hare observe that the psychopathic white-collar offender is the kind of individual that can give others a good impression, have a charming facade, and look and sound like the ideal corporate leader but, behind this mask, have a dark side that lies, is deceitful, promotes fraud in the organization, and steals the company's money (Steinberger, 2004). Although very little is known about the "prevalence, strategies, and consequences of psychopathy in the corporate world" (Babiak et al. 2010, p. 175), successful corporate psychopaths have tendencies toward fraud and irresponsible leadership (Gudmundsson & Southey, 2011).

Successful psychopathic functioning likely depends on engaging in more manipulative behaviors, characterized as noncriminal behaviors, which entail relational aggression, such as sabotaging relationships, intimidation, bullying, and rule breaking that appears to benefit themselves and the organization. Convicted Livent CEO Garth Drabinsky, described as tyrannical, bullied and abused subordinates, "berating them when they failed to live up to his perfectionist standards or questioned his decisions" (Knapp, 2009, p. 391). The accountants were common targets for Drabinsky: "They were told on a very regular basis that they are paid to keep their [expletive] mouths shut and do as they are [expletive] told. They are not paid to think" (p. 391). To facilitate its massive collusive fraud, Livent's top executives relied on "coercion and intimidation to browbeat their accountants," displaying a contemptuous attitude toward

outside auditors and believing that it was “no one’s business how they ran their company” (p. 394). Their action is reflective of the criminal thinking traits of disregarding rules and having a power orientation referring to displays of aggression to control persons and situations.

Bernard Madoff intimidated auditors by displaying anger and intimating that he knew influential people, when auditors demanded documents that he did not want to provide, due to his contradictory and evasive answers relating to the audit of his business (Perri & Brody, 2011). This came despite his firm’s website stating, “Clients know that Bernard Madoff has a personal interest in maintaining the unblemished record of value, fair-dealing, and high ethical standards that has always been the firm’s hallmark” (Ackerman, 2008). Consider Quentin Wiles, former CEO of the now-bankrupt computer disk-drive maker MiniScribe, who was convicted for insider trading and financial statement fraud. Described as an autocrat who wanted fear in the hearts of subordinates, he would have employees stand up to be fired in front of other employees. When asked why he chose this method of management, he answered, “That’s just to show everyone I’m in control of the company” (Jennings, 2006, p. 67).

Convicted CEO of Qwest Joseph Nacchio also used intimidation as a form of control, as illustrated by a subordinate: “People were just afraid of the man. . . . He created such a culture of fear that Qwest employees thought it was better to comply with his demands rather than question them and face his wrath” (Bucy et al., 2008, p. 414). When Cynthia Cooper, auditor at WorldCom, questioned CFO Scott Sullivan about artificial earnings, he screamed at her in a way that she had never heard before (Kaplan & Kiron, 2004). Investigations into WorldCom uncovered a culture of fear and intimidation to follow management orders, since employees were terminated when they did not do so (Blumenstein & Pulliam, 2003). Diana Henze, vice president of finance at HealthSouth, refused to sign off on financial statements due to her suspicions that they were fraudulent. After being passed over for a promotion, CFO William Owens indicated, “You made it clear that you wouldn’t do what we asked” (Jennings, 2007, p. 23).

Searching to explain unethical, deviant, and criminal executive behavior, scholars have identified a number of corporate leadership characteristics that portray successful psychopathic traits, including but not limited to being characterized as self-serving, opportunistic, egocentric, ruthless, and shameless, yet also charming, manipulative, and ambitious. With attributes and qualities such as charisma, confidence, persuasiveness, the characteristics of successful corporate psychopaths could initially be confused with charismatic leadership. Babiak et al. (2010) found that individuals scoring high on a measure of psychopathy held senior managerial positions or were identified as high potentials for such positions, even though there was a strong relationship among psychopathy, poor management styles, and poor peer and performance appraisals. Ironically, opinion suggests that psychopathic managers often rise rapidly through the organizational ranks into positions of power because traits of charm and grandiosity are mistaken for leadership potential and manipulation skills are mistaken for good communication skills (Babiak et al., 2010). Organizational chaos provides the necessary breeding ground for corporate psychopaths, creating avenues to demonstrate their charm and providing sufficient cover for their psychopathic manipulation and abuse of

power. Compensation structures that value profits and stock price above all enable the deviant behavior of corporate psychopaths by giving them the latitude for destructive leadership behavior.

Organizational cultures favoring manipulative and self-centered managerial behavior, as long as corporate objectives are met, overlook psychopathic tendencies. Consequently, it is a common human failing that the capacity for objectivity can be limited when it comes to someone who benefits a corporation, be it from an employee, the CEO, or the board (Schouten & Silver, 2012). However, the weakness of psychopathic behavior lies within the attitudes of psychopaths, as criminal psychologist Reid Meloy observes: “They believe ‘I’m above the law,’ and they believe they cannot be caught. . . . But the Achilles’ heel of the psychopath is his sense of impunity. That is, eventually, what will bring him or [her] down” (Creswell & Thomas, 2009). Ironically, Madoff’s sense of impunity was revealed when he made some telling comments to securities professionals: “By and large, in today’s regulatory environment, it’s virtually impossible to violate rules. . . . It’s impossible for a violation to go undetected” (Pressler, 2008).

What is interesting is the manner that these offenders present themselves to the public, which is the opposite of what they represent and how they behave within an organization. How do high-socioeconomic-status white-collar offenders engage in impression management to influence perceptions of their personae? To expand on a theme previously mentioned, one of Machiavelli’s memorable dictates is the importance of the public appearance of virtue, and this theme resonates with these offenders who wield considerable economic and political power. As Machiavelli advised, an individual in control—such as the ruler of a country or, in this case, the CEO—should present the appearance of being a compassionate, trustworthy, kind, guileless, and pious ruler, even if one is not. This counsel parallels the words of Samuel Antar, CFO of Crazy Eddie, who stated that white-collar criminals build walls of false integrity around themselves, presenting the appearance of virtue while displaying traits of success. Giving the appearance of virtue effects the desired interpretation to deflect any suspicion of fraud at one’s organization; in essence, the virtuous one cannot be capable of criminal activity.

CFO Samuel Antar, while lacking empathy for the victims created by his fraud, gave huge sums of money to charity further stated:

Fraudsters like myself, we build a whole world of respectability around ourselves. I gave money to a lot of charities while I was committing my fraud. My cousin Eddie, he gave a lot of money with his stolen money to a lot of charities. He gave a lot of money to politicians. He built wings on to hospitals and built a big aura of respectability around him and people were in awe of him. This is what fraudsters do. (Antar, 2005, para. 1)

Many of the collapsed companies were universally admired for their social responsibility and philanthropic activities; benign behaviors such as these create smoke screens to advance fraudulent and unethical corporate agendas or for atonement when caught (Jennings, 2006), echoing the previously mentioned criminal thinking trait of

sentimentality. CEOs Ken Lay, Bernard Ebbers, and John Rigas (Adelphia) controlled their images by engaging in the “optics of virtue” with philanthropic causes, publically displaying their piety, and participating in civic organizations. Tyco CEO Dennis Kozlowski hired a public relations professional to advertise his philanthropy (Jennings, 2006), though millions of dollars of his donations were made with Tyco’s money. Although Ebbers’s financial deception cost investors about \$100 billion, he donated over \$100 million to various charities, even though approximately \$35 million of this is related to his WorldCom stock, which had appreciated due to the financial statement fraud (Yanke, 2010). Attorneys for former director of Goldman Sachs and convicted fraud offender Rajat Gupta attempted to introduce his charitable works at his trial to convince the jury that he was not capable of fraud, and since his guilty verdict, they have relied on letters of support for his sentencing by well-known individuals, such as Bill Gates and Kofi Annan, former secretary-general of the United Nations (Rothfeld, 2012).

Madoff’s humanitarian image was supported by his work for various nonprofit groups, such as the American Jewish Congress and Yeshiva University in New York, the various boards on which he sat, and the millions he donated to educational, political, cultural, and medical causes. Yet there were two Madoffs—the carefully cultivated and controlled image of the successful, ethical businessman and benevolent philanthropist and the reality, a ruthless and remorseless criminal who operated behind a mask of sanity, success, and humanitarianism. One should perhaps be reminded that members of organized crime, such as Al Capone, were admired for their philanthropy and, at times, become public celebrities; yet, they too built walls of false integrity, applying Machiavellian principles to garner public support despite their criminal behaviors.

Conclusion

For understandable reasons, Edwin Sutherland did not place much emphasis on the prototypical white-collar offender’s psychological attributes, but more recent research suggests that this oversight may have been a mistake. As convicted CFO Samuel Antar (2010) states, supporting the direction of current research, “until society learns about the psychology of white-collar crime and the tactics used by criminals to defraud their victims, society is doomed to be victimized over and over again.” Certain psychological attributes, when coupled with criminal thinking traits, create a negative synergy that may serve as white-collar offender risk factors, and true offender personas may be confused for charismatic, visionary leadership. However, such offenders’ external presentation of being visionaries does not match the internal reality of who they are: false prophets engaged in criminal behavior. Of course, caution is warranted in how individuals displaying these traits are characterized, and it would be a mistake to automatically equate narcissism or psychopathy with white-collar offending. Yet, contemporary research does support the fact that these traits should not be ignored as anomalies, because they may at times be symptomatic of potential fraudulent behavior. Further research is needed on how organizations can identify these offenders before they attain such powerful positions.

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