



The loss of power: How illusions of alliance contribute to powerholders' downfall

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ABSTRACT

Though people in positions of power have many advantages that sustain their power, stories abound of individuals who fall from their lofty perch. How does this happen? The current research examined the role of *illusions of alliance*, which we define as overestimating the strength of one's alliances with others. We tested whether powerholders lose power when they possess overly positive perceptions of their relationships with others, which in turn leads to the weakening of those relationships. Studies 1 and 2 found that powerful individuals were more likely to hold illusions of alliance. Using laboratory as well as field contexts, Studies 3, 4, and 5 found that individuals with power who held illusions of alliance obtained fewer resources, were excluded more frequently from alliances, and lost their power. These findings suggest that power sometimes leads to its own demise because powerful individuals erroneously assume that others feel allied to them.

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Introduction

When Jimmy Cayne, the CEO of Bear Stearns, left the organization under tumultuous circumstances, many described his departure as “not a fond farewell.” Yet despite the cold sendoff for Cayne he stated, “When I left on January 4...there wasn't a dry eye. Standing ovation. I was crying... Standing ovation, of the whole auditorium” (Cohen, 2009, p. 416). Cayne seemed to have suffered from what we will call an *illusion of alliance*: he overestimated the strength of his relationships with others.

Moreover, as one reads various cases in which other high profile CEOs fell from power, illusions of alliance seem to play a consistent role in leading to their downfall, including Steve Jobs in his early career at Apple (Pfeffer, 1992), Phil Purcell at Morgan Stanley (Beard, 2007), and Pete Peterson at Lehman Brothers (Auletta, 1986), to name a few. These cases follow a similar pattern: powerful individuals who overestimated how much others in the organization were allied to them, and who subsequently failed to nurture and maintain those alliances that were critical to their survival. As a result they were demoted, forced to resign, or simply fired.

The current research examines empirically whether illusions of alliance indeed play an important role in the loss of power. First, based on recent research on the psychology of power, we hypothesized that the possession of power causes individuals to overestimate the strength of their alliances with others. Second, we hypothesized that these illusions of alliance weaken powerholders' relationships with others, and ultimately contribute to the

individual's downfall. Our studies thus examine why power can sometimes “lead to its own demise.”

Power gain and loss

Power is largely stable and self-reinforcing (Magee & Galinsky, 2008). Powerful individuals possess a multitude of material, political, and psychological advantages that help them maintain their power over time (Gruenfeld & Tiedens, 2010). However, power hierarchies can and do change (Bendersky & Hays, 2010; Sivanathan, Pillutla, & Murnighan, 2008). Despite the many advantages they possess, powerful individuals are sometimes demoted to lower rank in the group or organization, or are forced out of the organization entirely.

So how then do powerful individuals lose their power? Of course, broader factors outside the individual's control can play a role. CEOs can lose power due to economic volatility, failed mergers and acquisitions, or disruptive technological changes in their industry, for example (Burkhardt & Brass, 1990; Hambrick & Cannella, 1993; Osborn, Jauch, Martin, & Glueck, 1981; Stein & Capapé, 2009). Structural factors such as pay structure and board composition also predict turnover in top management teams (Boeker, 1992; Salancik & Pfeffer, 1980).

But anecdotal evidence and recent research suggest that powerholders' own behavior is also a likely common cause for their loss of power. For example, studies have shown that power can lead to faulty decision-making (Fast, Sivanathan, Mayer, & Galinsky, 2012), the violation of social contracts (e.g., Keltner, Gruenfeld, & Anderson, 2003), and ethical transgressions (Kipnis, 1972).

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Surprisingly little, if any, research has examined the processes by which powerholders can cause their own demise, however. Some recent research has begun to investigate how individuals respond to changes in hierarchies (Pettit, Yong, & Spataro, 2010; Sivanathan et al., 2008). For example, Sivanathan et al. (2008) found that individuals overreact to gains in power, in that they markedly increase their demands following an increase in power. This pioneering work demonstrates how individuals respond to gains and loss in power, but it does not address the factors that contribute to power loss in the first place. The current research thus aimed to fill this lacuna by examining directly how power is lost, and how powerholders' own behavior can contribute to such loss.

The importance of alliances to power

In line with many other theorists, we define power as an individual's ability to influence another person or other people by providing or withholding resources (French & Raven, 1959; Keltner et al., 2003; Thibaut & Kelley, 1959). Power is inherently relational, in that powerholders rely on their relationships and alliances to maintain their power (Emerson, 1962). Fiske and Berdahl (2007), for example, argue that "power is always socially situated" (p 680).

Therefore, we propose that an important determinant of power loss is powerholders' difficulties in managing their interpersonal relationships. More specifically, we believe that the failure to form and maintain alliances is a primary contributor to power loss. Alliances can be broadly defined as "two or more parties who act jointly to obtain a mutually desired outcome" (Polzer, Mannix, & Neale, 1998; Thibaut & Kelley, 1959).

Alliances are critical to the acquisition and maintenance of power for a number of reasons. First, alliances reduce individuals' dependence on others (Thompson, 1967). By forming more alliances, individuals depend less on each other single individual around them because they have many alternative alliances on which they can rely (Emerson, 1962; Ocasio, 2002; Shen & Cannella, 2002). Alliances also provide power in the form of political support, and allow individuals to obtain sufficient resources to influence others and implement their own ideas (March & Simon, 1958; Pfeffer & Salancik, 1978). Finally, alliances provide individuals with both access to information and control over the flow of information (Burt, 2000; Podolny & Baron, 1997).

Because alliances are so critical to the acquisition and maintenance of power, the ability to effectively form and maintain alliances with others is thus a critical determinant of power. Likewise, the inability to form and maintain alliances with others is likely a determinant of power loss.

Power and illusions of alliance

How might powerholders fail to form and maintain alliances with others? Developing strong alliances requires that the ability to monitor one's interpersonal relationships and recognize when they need strengthening (Kerr & Levine, 2008; Leary & Baumeister, 2000). Research on the social monitoring system (Pickett & Gardner, 2005), for example, suggests that when individuals perceive a deficiency in their connections with others, they can correct those deficiencies by monitoring their social environment more vigilantly and acting strategically to build up and nurture their alliances. Individuals can watch for the verbal and nonverbal social cues that provide information on the source of any deficiency, and seize on opportunities to repair or promote the relationship by engaging in behaviors that build affiliation and rapport.

One important implication of the work on the social monitoring system is that individuals must accurately perceive their alliances in order to correct deficiencies in their relationships with others. Yet research suggests powerholders might commonly hold overly

positive perceptions of their alliances, thereby constraining their ability to recognize when deficits exist. In general, research has found that individuals with high power are less accurate social judges than are individuals with low power (Fiske, 1993; Galinsky, Magee, Inesi, & Gruenfeld, 2006; Goodwin, Gubin, Fiske, & Yzerbyt, 2000). Moreover, prior work has shown that power leads individuals to focus more on rewarding aspects of their environments (Inesi, 2010; Keltner et al., 2003). For instance, powerholders are more optimistic in perceiving the social and material world around them (Anderson & Galinsky, 2006) and fail to recognize when others are angry at them (Anderson & Berdahl, 2002). By myopically focusing on rewarding aspects of their environments and ignoring negative information, powerholders might fail to perceive problematic aspects of their social environments that may require repair or nurturing.

The abovementioned research suggests that powerful individuals may hold overly positive, biased assessments of their alliances with others. In turn, these illusions of alliance might hamper powerholders' ability to form and maintain alliances because those individuals would eschew opportunities to form or strengthen their alliances with others. For example, powerholders might fail to engage in ingratiation (e.g., making the other feel positively about him/herself) or self-promotion (e.g., clarifying their value to the other; Jones & Pittman, 1982). By failing to engage in these behaviors, powerful individuals' current and potential alliance partners may feel less allied to that individual. They might feel undervalued by the powerholder and that they are being taken for granted. As a result, as others distance themselves from the powerholder, that individual would begin to lose power.

To be clear, we do not believe powerful individuals will always lose their power, or even lose it in the majority of cases. As argued above, powerholders possess so many advantages over those without power that hierarchies tend to be largely stable over time; powerholders tend to keep their power more often than they lose it (Magee & Galinsky, 2008). However, there are circumstances in which powerful individuals do lose their power – and we propose that one such circumstance is when the powerful possess illusions of alliance.

Overview of studies

We conducted five studies to test our hypotheses. Studies 1 and 2 examined longer-term work groups and tested whether power increases the propensity to hold illusions of alliance. Studies 3, 4, and 5 tested whether illusions of alliance led to the weakening of alliances and subsequently to a loss of power. Studies 3 and 4 used a laboratory exercise, which allowed for more precise measures and control for potential confounds. Study 5, used longer-term work groups and focused on the loss of rank within the group's hierarchy over time.

Study 1

Study 1 involved members of longer-term team projects, which allowed us to examine alliances across multiple relationships and in an interdependent context that had real-world consequences for the participants. In this study, participants worked together in groups of 4–5 throughout a 15-week period on projects in an introductory business class. Prior to the formation of the group, as part of a larger questionnaire, participants reported their dispositional sense of power. Power has been shown to be both a relational variable (Emerson, 1962) as well as a psychological property of individuals (Chen, Lee-Chai, & Bargh, 2001; Galinsky, Gruenfeld, & Magee, 2003). Dispositional power was therefore used as a measure in this study as it has been shown to be a

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