Leader-follower dynamics in ethical lapses in tax practice

Govind Iyer Ph.D. Professora,⁎, Philip Reckers Ph.D. Professorb

a School of Business, Department of Accountancy, University of North Texas, United States
b School of Accountancy, W. P. Carey School of Business, Arizona State University, United States

ARTICLE INFO

Article history:
Received 10 May 2016
Received in revised form 18 September 2016
Accepted 21 September 2016
Available online xxx

Keywords:
Ethics
Tax
Leader-follower dynamics

ABSTRACT

This study posits that unethical behavior in the corporate arena is often a result of destructive leaders influencing willing followers. Destructive leaders manipulate followers using either their dominant/coercive power or their prestige/charisma. Followers obey the instructions of destructive leaders because they are either conformers (afraid to confront the leader) or colluders (believe in the leader or participate for material gain). Based on an experiment, we show that unethical acts are performed in the presence of dominant leaders. We also find that charismatic leaders influence colluders to engage in unethical acts.

© 2016 Elsevier Ltd. All rights reserved.

1. Introduction

The cascade of accounting and reporting scandals over the last two decades and the failure of many world class large corporations, banks, financial powerhouses, and even a Big-Six accounting firm has motivated renewed research on why such scandals happen. That is, there exists wide interest across sectors of business, among legislators and regulators, and investors as to what factors lead to egregious ethical lapses (Cianci & Bierstaker, 2009; Reinstein, Moehrle, & Reynolds-Moehrle, 2006; Johnson, Lowe, & Reckers, 2016). Much of the research has focused on corporate leaders, their characteristics and management style, and how they fostered a culture of unethical behavior (Carson, 2003; Reinstein et al., 2006). However, leaders cannot successfully advance corporate malfeasance without willing (compliant) followers to do the leaders’ bidding (Hollander, 1992; Hollander & Offermann, 1950; Lord & Brown, 2004; Yukl, 2005; Johnson et al., 2016). Recent research addresses the issue of ethical lapses in the workplace by addressing the co-dependent, synergistic leader-follower relationship. That is, unethical practices are only prevalent when the unethical acts of a leader are facilitated by a follower because the follower is (a) willing, or (b) coerced. That is, for an unethical practice to take root and flourish, it requires a specific type of a leader assisted by a specific type of follower under fertile environmental conditions: a toxic triad ((Duchon & Drake, 2009; Padilla, Hogan, & Kaiser, 2007; Johnson et al., 2016; Thoroughgood, Padilla, Hunter, & Tate, 2012). Ethical lapses, however, are not only to be found in corporate domains; they spill over in public accounting practices that serve these corporate clients.

A plethora of instances have been recorded wherein public accountants also fail to act in ways consistent with their fiduciary responsibilities. In the audit arena, the demise of Arthur Andersen can be attributed to the failure of the auditing firm to adhere to its basic accounting ethics; and the censure of KPMG for unethical tax shelters provides another high-profile example of an ethical lapse in public accounting. Similar to the traditional corporate world, the public accounting profession is hierarchical, and, as such, subordinates are susceptible to the destructive dynamics of their superiors. Just as in other professions, superiors evaluate the work of subordinate accountants and wield great influence on their career success; and subordinate accountants are subject to a wide variety of environmental pressures and opportunities that can lead them to conform and/or collude with their destructive leaders (see Jenkins et al. (2008) for a review). In sentencing an accountant involved with the WorldCom fraud, Judge Barbara S. Jones of the United States District Court stressed the importance of subordinates refusing to collude (Cieslewicz, 2010). She stated that while this individual was “among the least culpable members of the conspiracy at WorldCom. had [she] refused to do what she was asked, it’s possible this conspiracy might have been nipped in the bud." In her defense, the individual spoke about being under pressure, indicating “I felt like if I didn’t make the entries, I wouldn’t be working there” (Associated Press, 2005). The WorldCom case indicates that accountants are also susceptible to pressure from superior authorities.

In this paper, we consider two types of leaders and three types of followers: the two types of leaders are (i) Dominant and coercive, and (ii) Prestigious and charismatic. The three types of followers are (i) Conformers, (ii) Colluders and (iii) neither conformers nor colluders. Our principle interest lies in examining synergistic combinations yielding negative outcomes. Through a controlled experiment, using undergraduate accounting students with an average age of 25 years, we test...
whether (a) conformers are more likely to comply with unethical requests in a dominant and coercive environment, than in a non-dominant and non-coercive environment; and (b) colluders are more likely to comply with requests when the firm has a prestigious and charismatic leader, than a non-prestigious leader. We find support for expectation “b”, but not for expectation “a”.

The remainder of the paper is organized as follows: Background and hypotheses are described in the next section; followed by the described Research method and experiment; next Results and analysis are presented. The paper ends with Conclusions and implications.

2. Background and hypotheses

2.1. Background

According to Padilla et al. (2007), unethical behavior begins and flourishes when a “Toxic Triangle” exists, containing destructive leaders, susceptible followers, and an environment that promotes destructive behavior. Recently Thoroughgood et al. (2012) state that followers become susceptible to destructive leaders because they are successfully influenced by the leaders. The influence may be power-derived, relation-derived, or value-based. That is, the leader may exert manipulative or coercive power over the follower; the leader may exploit the followers’ relationships in the organization; or the leader can influence the follower due to shared values. We discuss some of the leader-follower relationships below.

2.1.1. Destructive leaders

Destructive leaders share certain common personality traits – narcissism, Machiavellianism, and psychopathy (Amerman & Craig, 2010). Narcissistic leaders have a grandiose sense of self, an elephantine ego, and are hungry for admiration (Duchon & Drake, 2009). Narcissistic leaders lack a moral identity and thus cannot differentiate between ethical and unethical behavior. Machiavellian leaders are devious, manipulative, aggressive, and willing employ any tactic to help them achieve their objectives (Friedrich, Ferrell, & Pride, 1989; Rayburn & Rayburn, 1996; Tang & Chen, 2008; Cyriac & Dharmaraj, 1994; Nelson & Gilbertson, 1991). Finally, psychopaths are leaders with underdeveloped internal controls and emotions and lack an underlying conscience (Boddy, Ladyszewsky, & Galvin, 2010). These leaders are not driven by any notion of social responsibility or commitment to their followers. To achieve their objectives they demand employees’ conformity or collusion because their ruthless decisions are in their own interests rather than in the interests of their employees. The “tone at the top” established by this type of leader fosters a work environment characterized by conflict, lack of fairness, high levels of organizational constraints, low job satisfaction and higher workloads. These types of destructive leaders are the most likely to initiate implicit as well as explicit requests of employees to engage in unethical behavior. The destructive leader also exerts influence on followers through many means and through trusted lieutenants to facilitate unethical behavior (Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009). One source of a leader’s power is an ability to control and allocate resources, typically exercised as a dominant or coercive power. Another source is a leader's soft power, that is, an ability to inspire awe and respect among followers. By appearing to be “prestigious,” a leader influences those around him/her to buy into his/her values and cooperate willingly in ethical and unethical acts.

2.1.2. Susceptible followers

While much attention has been paid to characteristics of destructive leaders and the “tone at the top” that they set, the role of followers is equally important. Why are some followers unable to resist demands for unethical behavior while others are not? In their Toxic Triangle paper, Padilla et al. (2007) address this question and describe two types of susceptible followers – conformers and colluders.

2.1.2.1. Conformers. Conformers worry about the consequences of not obeying the leader’s instructions or requests (Higgins, 1997). Conformers feel vulnerable to leaders because typically conformers have low-self-esteem, unmet basic needs, and feel out-of-control of their lives. Such people tend to respect and obey authoritative figures. Conformers fear confrontation and try to avoid it, fearing that confrontation will typically cause unpleasant results (Connelly, Helton-Fauth, & Mumford, 2004; Kida, Moreno, & Smith, 2001; Loewenstein, Hsee, Weber, & Welsh, 2001; Lazarus, 1991). Consequently, to prevent negative outcomes, conformers defer to the wishes of superiors (Birnberg, 2011; Dacin & Murphy, 2009; Lerner & Keltner, 2000). That is, they take the easy way out, mainly out of fear (Padilla et al., 2007). Thoroughgood et al. (2012), however, note there are three types of conformers – lost souls, bystanders, and authoritarians.

Per Thoroughgood et al. (2012), “the lost soul reflects a particularly needy type of conformer.” Lost souls have an external locus-of-control and low self-esteem. They also tend to have unmet basic needs and may face personal life distress (Thoroughgood et al., 2012). They seek a hero and typically find one in a charismatic leader. They tend to idolize charismatic leaders who appear as “North Stars” (guiding lights) to these lost souls! They have a strong affection, devotion, and admiration for the leader and willingly ascend to the leader or the leader’s lieutenants’ requests to facilitate unethical behavior, simply to gain approval and acceptance (Thoroughgood et al., 2012; Barbuto, 2000). Prestigious and charismatic leaders tend to exploit lost soul conformers. Bystanders described by Thoroughgood et al. (2012) are most like the conformers described in Padilla et al. (2007). Their behavior is fear driven. They fear the negative consequences of disobedience and thus attempt to minimize their costs by acquiescing to the requests and directives. Influence over bystanders stems primarily from coercive power (Barbuto, 2000; Thoroughgood et al., 2012). Similar to lost souls, bystanders also tend to have negative core self-evaluations: they are highly sensitive to lost income, status, employment etc., and lack courage to stand-up to the leader (Thoroughgood et al., 2012). As such, lost souls and bystanders are not always easy to distinguish.

The last type of conformer is the authoritarian conformer. Although the term “authoritarian” seems at odds with a conformer, authoritarian conformers have great respect to authority, organizational structure, group norms and conventions (Altemeyer, 1999).

Consequently, authoritarian conformers tend to follow superiors because they believe in the legitimacy of leadership and believe that a good follower must be submissive (Altemeyer, 1999: Thoroughgood et al., 2012). Consequently, even if what is ask of them is unethical, authoritarian conformers do not question the authority of their superiors and tend to actively participate in the destructive acts (Altemeyer, 1999). The authoritarian is thus more distinct in their motivation and more easily distinguished from lost souls and bystanders.

2.1.2.2. Colluders. In contrast to conformers, colluders are willingly and even enthusiastically participants in unethical and destructive acts. Thoroughgood et al. (2012) describe two types of colluders: opportunists and acolytes.

Opportunists are generally Machiavellians. They exploit the potential destructive situation for their personal gain. They willingly follow their leaders’ unethical commands in anticipation of financial, professional, or political rewards (Padilla et al., 2007).

In contrast to opportunists who participate in unethical acts in anticipation of personal gain, acolytes willingly participate in destructive acts because they “share congruent values and goals with the leader” (Thoroughgood et al., 2012). Acolytes are “true believers” (Barbuto, 2000). They are enticed by the leader’s expertise and “vision” in charting a new path; they identify with the leader’s goals and values and believe that the leader acts in the organization’s best interests (Thoroughgood et al., 2012; French & Raven 1959).

In this study, we test two combinations of toxic leader-follower relationships to see whether such combinations indeed promote
دریافت فوری متن کامل مقاله

امکان دانلود نسخه تمام متن مقالات انگلیسی
امکان دانلود نسخه ترجمه شده مقالات
پذیرش سفارش ترجمه تخصصی
امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
امکان دانلود رایگان ۲ صفحه اول هر مقاله
امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
دانلود فوری مقاله پس از پرداخت آنلاین
پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات

ISIArticles
مرجع مقالات تخصصی ایران