

Toxic Leadership – A Side Effect of an Inefficient Performance Management System

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Abstract. *Performance management often confuses performance appraisal. Performance management is the term used to refer to the activities, tools, processes, and programs that companies create or apply to manage the performance of employees, teams, departments, and other organizational units within their organizational influence. Instead, performance appraisal refers to an act of assessing or evaluating performance during a given performance period to determine how well an employee, supplier or organizational unit has met in relation to the goals or objectives agreed and that is only one of the many important activities within the overall performance management concept. In the past, some researchers have argued that the effective influence of leaders on organizational outcomes is overestimated and romanticized as a result of biased powers towards leaders. To facilitate successful performance, it's important to understand and accurately measure your management performance. For example, leadership performance can be used to refer to the success of the individual leader's career, to the performance of the group or organization, or even the appearance of the leader. A toxic leader is someone who has a responsibility on a group of people or an organization and who abuses the subordinate leader's relationship leaving the group or organization in a worse state than when joining it. Inevitably, the performance of the victim at work, self-esteem, and self-confidence will decrease as a result of employee stress. High operating costs and high turnover/overtime rates are often associated with results linked to the activity of a toxic leader. A toxic leader can be both hypocritical and hypercritical with subordinates, seeking the illusion of corporate and moral virtue to hide their own vices at work. Identifying the behavioral patterns and factors that cause such actions through bibliographic research and controlling them through a performance management system is the purpose of this article.*

Keywords: *performance; management; toxic leadership; appraisal*

Introduction

Leadership is the element that proves the success or the failure of a company. It is involved practically in all organization's management actions like strategy, personnel politics, motivation, evaluation or rewarding. In Romania, we still find organizational cultures, where the boss lives orders at all levels, he proposes and still has, checks everything. It's reminiscent of how things worked in communism, a style of leadership transmitted and taught by younger from seniors by imitation. A lot of organizations have the potential to become toxic. All this raises the question: WHO or WHAT is responsible for workplace toxicity? Is it the fault of the managers?

The toxic work environment - the importance of the subject

A toxic workplace is a workplace that is marked by significant drama and infighting, where personal battles often harm productivity. Toxic workplaces are often considered the result of toxic employers and/or toxic employees who are motivated by personal gain (power, money, fame or special status), use unethical, mean-spirited and sometimes illegal means to manipulate and annoy those around them; and whose motives are to maintain or increase power, money or special status or divert attention away from their performance shortfalls and misdeeds. Toxic workers define relationships with co-workers, not by organizational structure but by co-workers they favor and those they do not like or trust. (Benoit, 2011)

Employees do not remain with the same company for long periods of time. According to BLS, the average employee was at the current companion for 4.2 years. This statistic drops to 2.8 years when looking at millennium demography, the largest generation of labor. This means that employees are not afraid to leave the company when faced with a toxic job - and if they are performing, the company has problems. The statistics from employers are not very encouraging. The Gallup state of the American labor force tells us that 51% of the employees are not employed and have not been for some time. There are four main forces to disengage employees. Surprisingly, they double as workplace toxicity.

The results of the Romanian HR Profile study, conducted last year by Corporate Dynamics International and Business-Edu, show that the departments of a company with the highest fluctuation of personnel are production - 37% and sales - 16%. Among the possible reasons were the inability of floor managers to motivate and loyalty to the workforce, as well as the lack of motivational programs.

Almost 37,400 companies were insolvent at the end of 2011, up 10% from the previous year's level. Over 56% of the proceedings were opened at the debtor's request, while the remainder at the creditor's request. According to estimates, the insolvency market amounted to approximately EUR 25 million in 2012, a level similar to 2010 (ZRP Insolvency as cited in www.wallstreet.ro). According to ZRP Insolvency, the areas most affected by insolvency are real estate, construction, and retail. The reasons why firms enter insolvency are diverse, depending on both the business sector and the financial stability of the company's owners. The overwhelming cause of company failures is a type of managerial incompetence. In a survey conducted in 1991 with over 1,300 managers, Buccino & Associates, a Chicago consultant, found that 88% of respondents identified the quality of management as the main difference between success and failure. (Altman, 1991)

Toxic leadership

Leadership is „ a person's capacity to mobilize and guide the capacity of the members of an organization in order to achieve the defined goals“ (Rainey, 1997). The process of influencing the group members by the leader is a conscientious one, which is based on both entities' capacity to cooperate. The power of influencing may be used in a positive or negative way.

A toxic leader is a person who has responsibility for a group of people or an organization, and who abuses the leader-follower relationship by leaving the group or organization in a worse condition than when they first found them and is linked with a number of dysfunctional leadership styles. Their leadership style is both self-destructive and ultimately corporately harmful as they subvert and destroy organizational structures. Such leaders act aggressively and treat others terribly. They can make a large company an unpleasant place to work, and they can kill a small company.

Causes of toxic leadership

Toxic leadership is brought about by a *lack of self-awareness, lack of self-control and confidence*, all of which are seeded by *self-interest*. As a result, a toxic leader's subordinates don't like him or her. Toxic leaders care all about themselves. They only think of their own feelings and disregard those of others. Somehow, toxic leadership is related to an autocratic leadership style. Why do leaders behave this way? What causes these toxic behaviors? Most people have toxic behaviors because they are rather concerned about their own agenda and are incapable or simply do not want to understand how their actions affect others.

There are two causes that lead to self-centered behavior: *Uncertainty* - Unsure leaders on their own forces react emotionally to real or perceived/imagined "dangers". When a subordinate makes a mistake that could negatively reflect the leader's reputation, it may react disproportionately to its error. Another example is when a little confident leader in his or her own forces is faced with data indicating his bad decision: the leader can "explode" emotionally and usually blame others or "context" without assuming guilt. *Arrogance*: - The arrogant leaders are at the opposite pole: they have a lot of confidence in their own forces and usually see others (especially the subaltern) as an "object" useful to achieve their own goals. They feel entitled to exploit and

abuse their subordinates because they do not have any value. When confused with data that indicates a bad decision, they systematically ignore the feedback.

Effects of toxic leadership

Toxic leaders distribute tasks in a restrictive manner and even try to intimidate their subordinates in order to preserve constricted control. It is important for a manager or executive, to be able to recognize these toxic bosses. They can significantly *decrease production* and *increase the cost*. They could use the processes in place to monitor what is going on. Disciplinary systems could be abused to aid their power culture. They could abuse the hierarchies, personal relationships and the way that workflows through the business. The setting up to fail procedure is, in particular, a well-established workplace bullying tactic that a toxic leader can use against his rivals and subordinates. (Rayner & Hoel, 1997)

The overwhelming cause of company failures is a type of managerial incompetence. In a survey conducted in 1991 with over 1,300 managers, Buccino & Associates, a Chicago consultant, found that 88% of respondents identified the quality of management as the main difference between success and failure. Analysts from A.T. Kearney analyzed over 1,200 insolvency cases across Europe and concluded that other frequent reasons for companies defaulting on payment are: insufficient liquidity (38%), inadequate management response to the crisis (34%), *conflicts at management level* (20%), industry crisis (17%) fiscal problems (4%). (Altman, 1993)

When an employee leaves, the company has a number of effects both financially and motivationally (for the remaining employees) and the image of the company. The direct or indirect costs that arise do not only relate to the time and money needed to hire other candidates, but also to the downside of activity and the *decrease in productivity*. There are also a series of unquantifiable costs immediately, which should not be overlooked. First, once employees leave the company, the morale of those who remain subdued, they become insecure about the stability of their own job. If a company leaves more people is threatened by firm stability, which can create general paranoia. The company may also lose the image it has vis-à-vis its customers. A good relationship with clients is built over time and it is important to be stable and personalized. And if, for example, a customer calls once every two weeks and speaks to each other every other time, he is likely to pose problems related to the firm's seriousness.

Indicators of toxic leadership

Management style: Barbara Kellerman suggests in "Bad Leadership: What It Is, How It Happens, Why It Matters" (2004) - that it may be analyzed into seven different types: Incompetence, Rigidity, Intemperance - lack of self-control, Callousness, Corruption, Insularity, Evil. Analyst Gillian Flynn provides a graphic description of a toxic manager as the: "manager who bullies threatens, yells. The manager whose mood swings determine the climate of the office on any given workday. Who forces employees to whisper in sympathy in cubicles and hallways. The backbiting, belittling boss from hell. Call it what you want - poor interpersonal skills, unfortunate office practices - but some people, by sheer shameful force of their personalities make working for them rotten."

10 Signs of a Toxic Boss: unprofessional behavior, lack of enthusiasm, deaf ears, never being wrong, settling for less, taking a credit not the responsibility, micromanaging, working too much, gossiping, being the fun boss. (Anna Maravelas)

Disrespectful Behavior: "Don't overlook unprofessional behavior, such as emails that aren't returned or disregard for stop and start times for the interview without apology," says Anna Maravelas, president of TheraRising.com and author of How to Reduce Workplace Conflict and Stress. "These mini-moments are microcosms of your potential supervisor's style."

Visual Cues: "If your boss scans you from head to waist versus waist to head as they extend their hand in greeting you, they are intuitively sending a message that you are smaller than they are," explains Zannah Hackett, author of The Ancient Wisdom of Matchmaking. Though subtle, it's the nonverbal equivalent of a belittling comment. "This is not a good sign that your talents are going to flourish in this environment."

Defensive Body Language: “An insecure boss will find you threatening if you are good at your job and will use the power of the position to make your life miserable,” says Pamela Lenehan, president of Ridge Hill Consulting and author of *What You Don’t Know and Your Boss Won’t Tell You*. Watch for constant shifting, avoiding eye contact or rifling through papers as you talk, she notes.

Bad Attitude: If your interviewer exhibits a general lack of enthusiasm or interest in the company, watch out, warns Donna Flagg, a principal with human resources and management consulting firm The Krysalis Group. It could be a bad day, or it could be a bad boss. “Ask for company turnover [data] and turnover [data] for that individual manager,” she suggests.

Excessive Nervousness: Don’t ignore extreme behavior, cautions one worker. “My boss used to eat sugar packets and raisins, and she downed them with large cups of black espresso,” she recalls. “And she spoke in triplets: ‘hi, hi, hi,’ ‘good, good, good,’ ‘when, when, when.’ Her stress level telegraphed to everyone in the department.”

Distrust of Others: A toxic boss “openly displays a lack of trust in people, especially for those on the team in which he or she is supposed to lead,” notes Gregg Stocker, author of *Avoiding the Corporate Death Spiral*. Ask what the company’s problems are and what their causes might be. “If the answers to these questions consist of blaming others in the organization, especially those on his or her team, the person lacks trust in others.”

Fear Used as a Motivator: Ask the prospective boss about others on the team with whom you will be working — specifically, how well they work together, stay focused and meet objectives, Stocker advises. Be wary if the response identifies a lack of respect for people. When managers disrespect and distrust others’ motivations, they resort to extrinsic means with which to motivate, such as threats, public humiliation, and comments about layoffs.

Word Choice: “Your ears are your best hunch barometer,” Hackett says. “Our choice of words sets up a dynamic that can raise or lower the energy in a room. If they begin every sentence with a negative message and then try to diffuse it somewhat, it is likely that negativity prevails in their life and carries over into work.”

Extreme Friendliness: “It may sound odd, but what should have tipped me off was how nice she was,” one administrative assistant says of her toxic boss. “I compare it to children being lured into dangerous situations with candy. How many kids don’t want candy? And how many adults don’t want to work for a boss who is nice? It was a trap I could’ve easily avoided had I caught on earlier.”

Self-Absorption: “If his ideas seem to be more important than finding out about your ideas, or if you provide an answer and the interviewer tells you you’re wrong or interrupts with his own answer to the question, it may be an indication that he will be difficult to work with,” notes one technical support staffer. (Carmichael Lester, 2013)

High staff turnover: It is said that people do not leave companies, but bosses. And when the number of those who leave during one year begins to feel, the company has problems. *Costs, direct and indirect, increase* enough to see that it’s much cheaper to have a loyalty program than to recruit endless people for the same jobs. There are also negative causes of personnel fluctuations, such as the lack of concern of many firms for motivating and retaining employees, the instability of some categories of employees who have as their sole objective the salary or the attempt of companies to solve the fluctuation of personnel on the short term by recruiting people from the competition. The results of the Romanian HR Profile study, conducted last year by Corporate Dynamics International and Business-Edu, show that the departments of a company with the highest fluctuation of personnel are production - 37% and sales - 16%. Among the possible reasons were the inability of floor managers to motivate and loyalty to the workforce, as well as the lack of motivational programs (BusinessMagazin, 2007).

Workplace performance / Inadequate performance of tasks: At the workplace, performance management is implemented by employees with supervisory roles. Normally, the goal of managing performance is to allow individual employees to find out how well they had performed relative to performance targets or key performance indicators during a specific performance period from their supervisors and managers. Inevitably

the *victim's workplace performance, self-esteem, and self-confidence* will decline as employee(s)' stress inclines. Hypocrisy involves the deception of others and is thus a form of lie. It could abuse the hierarchs, personal relationships, and how they work through the business. They could use existing processes to monitor what is happening. Disciplinary systems could be abused to help their power culture.

Heavy running costs: Heavy running costs and a high staff turnover/overtime rate are often also associated with employee-related results of a toxic leader.

Methods of control and prevention of toxic leadership

Fortunately, organizations are not totally powerless in the face of this phenomenon. Using personality assessments, companies can identify the toxic and derailatory tendencies of a leader or potential leader can eliminate people with such a potentially dangerous potential in the selection processes. For existing leaders in the company, using these assessments can provide them with the self-awareness of the strategic need they need to prevent. Red flags to such behavior often appear as early as the interview process. Periodic 360-degree reviews of individual leaders. Confidential reviews of leaders by those with whom they interact frequently and intimately would go far toward giving those leaders a clear perspective on their strengths and limitations.

Performance management is a set of activities that ensure goals are met in an effective and efficient manner. Performance management can focus on the performance of an organization, a department, an employee, or the processes in place to manage particular tasks (Harris, Brewster, & Sparrow, 2003). Performance management for business is defined as a "strategic and integrated approach to increase the effectiveness of companies by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors. (Armstrong & Baron 1998). Managers use performance management to align company goals with the goals of teams and employees in an effort to increase efficiency, productivity, and profitability (Zaffron & Steve, 2009).

In companies, the *implementation of performance management* is done at three levels: *strategic* (targeting the overall performance of organization), *operational* (targeting performance at the level of operations and departments) and *individual* (focuses on the performance of each employee). Performance management guidelines stipulate clearly the activities and outcomes by which employees and teams are evaluated during performance appraisal. Many people equate performance management with performance appraisal. This is a common misconception. *Performance management* is the term used to refer to activities, tools, processes, and programs that companies create or apply to manage the performance of individual employees, teams, departments, and other organizational units within their organizational influence. In contrast, *performance appraisal* refers to the act of appraising or evaluating performance during a given performance period to determine how well an employee, a vendor or an organizational unit has performed relative to agreed objectives or goals, and this is only one of many important activities within the overall concept of performance management. *An organization-wide 360 process* that is integrated into its culture can be a powerful tool for communicating and instituting change, rapidly touching all members of the organization when new markets, strategies, values, and structures are introduced into the system (Rainey, 2015).

Performance management is achieved through a well-established pattern chosen for companies' specific needs as EFQM, Balrige Award, Deming Prize, CMMI, etc. At every three levels, important aspects represented by the tools used in such process like performance indicators (KPI), dashboards, balanced scorecard (BSC).

Specialized dashboards can track all of the company's functions. Examples include human resources, recruitment, sales, operations, security, information technology, project management, customer relationship management, and many other departmental dashboards. For a smaller start-up organization, a compressed dashboard looks at important activities in various areas, from social media to sales. Dashboards often provide a quick look at Key Performance Indicators (KPIs) relevant to a particular business objective or business process. An important component of the performance management process is performance measurement, which involves identifying, monitoring and communicating performance results using performance indicators (Brudan, 2010).

Table 1. KPI that indicates Toxic Management

HR Management's KPI	Operational's KPI	Leadership's KPI
Staff Turnover	Heavy Running Costs	Overtime Rate
Staff Retention Rate	Project Success Rate	Number of Conflicts

(original contribution)

Conclusions

Leadership is an important component of any organization. Managerial behavior is influenced by a combination of knowledge, skills and by the leader personality. The leader is the person who has the influence on the actions and behaviors of the group's members he leads for the purpose of achieving specific goals producing changes in opinions, values, attitude towards work, responsibility and so on. Any failure of a company is perceived primarily as the absence of a high-performance management system. The organization will die a slow death as it radiates a depressed workforce. Companies facing this problem are quite a lot, and in the future, the percentages will increase as a result of the dynamism of the labor. Key performance indicators are non-financial measures of a company's performance - they do not have monetary value but contribute to the company's profitability. Practically, the number of employees is the same, so companies have a choice between stealing from competitors and hiring young people without experience to form over time.

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