

The Collapse of Arthur Andersen: A Failure of Emotional Intelligence?

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## Abstract

One of the five key themes of ICEI 2019 is Emotional Intelligence in the Professions. One of my core beliefs is that you learn more from your mistakes than your successes. So, if this conference is meant to be a learning opportunity, we should examine mistakes that have occurred in the Professions. In my lifetime the greatest Professional “mistake” would have to be the collapse of Arthur Andersen. The company regarded as the Gold Standard in the USA for ethics and corporate governance went from 85,000 employees to 16 in 2002. In this paper I will argue that the real cause of this collapse was a failure of emotional intelligence.

The paper is structured as follows:

1. A summary of the history of Arthur Andersen including prevailing beliefs for its collapse.
2. The real reason for its collapse: the adoption of Myers Briggs (MBTI) as its people profiling methodology.
3. A review of the MBTI methodology.
4. A review of the criticisms of MBTI including its fatal flaw.
5. How the MBTI fatal flaw destroyed Arthur Andersen.
6. What are the possible emotionally intelligent people profiling systems the Professions should use?

At the 2017 Oporto conference the most popular Emotional Intelligence model used was the Salovey-Myer RULER model of Recognizing, Understanding, Labelling, Expressing, and Regulating emotions . At the conference Marc Brackett described the Mood Meter App to help you RULER your emotions. According to Brackett an individual goes through hundreds of positions on the Mood Meter every day which frankly makes it an impractical tool for commercial use. What organisations need and want is a tool that profiles a person’s emotional predispositions. More importantly it should help an organisation screen out corporate psychopaths and corporate bullies.

(298 words)

*"We do not learn from experience... we learn from reflecting on experience."*

— John Dewey

One of the five major themes of this conference is Emotional Intelligence in the Professions. One of my core beliefs is that you learn more from your mistakes than your successes. So, if this conference is meant to be a learning opportunity we should examine "mistakes" that have occurred in the Professions. In my lifetime the greatest Professional "mistake" would have to be the collapse of Arthur Andersen in 2002. The company regarded as the Gold Standard in the USA for ethics and corporate governance went from 85,000 employees to 16 in one year. In this paper I will argue that the cause of this collapse was a failure of emotional intelligence.

## History of Arthur Andersen

Arthur Andersen was founded in December 1913. The next year Andersen himself was asked by the president of a local railroad, which was also its largest client, to approve a "peculiar" transaction. His reply was famous in annals of American business history.

*"Not enough money in the city of Chicago to make me do that."*

Andersen was replaced as the auditor but the railroad company filed for bankruptcy months later. And so the Arthur Andersen legend was born. Of all the major auditing firms Andersen was regarded as the most logical and principled. The motto of the company became "Think straight, talk straight".

AA was the first major auditing firm to introduce management consulting. This had great potential for conflict of interest as it would be difficult to qualify the audit of a major consulting client. To ensure probity Andersen introduced the Method; everything was codified and done by the book (presentations, hiring staff, etc). Every office had a senior partner for probity who acted as the methodology coordinator and keeper of the flame of integrity.

## Evolution of Professional Standards Group

In addition Andersen Consulting (which became Accenture) physically separated from Andersen Auditing in 1988. After the separation of Andersen Consulting, Andersen Auditing decided to re-enter the consulting market at the Small Business end (where small was defined as annual sales less than \$175 million) to replace declining audit revenues. This again led to internal and external conflicts. In 1989 Jim Edwards, then Managing Partner—global markets, gave the Eye of the Tiger presentation in Dallas at the Annual Partners Conference. He walked on to the stage with a tiger on a leash. His message was that it was a jungle out there, and that every partner had to double his fee income in three years. Naturally many partners, particularly those responsible for probity failed to achieve this goal and in 1992 there was the Great Partner Purge. Profit had replaced probity in the AA culture.

There is a book about the collapse: *Inside Arthur Andersen: Shifting Values, Unexpected Consequences* written by four former Andersen Consulting Employees. Their argument is that the seeds of the destruction of Andersen Auditing were planted when the organisation started to do consulting work for its clients soon after its beginnings in 1913. The book spends much time on the differing and, to the authors, irreconcilable cultures of consulting and auditing. However as several of the Amazon reviews of book have remarked, if the problem is one of differing cultures in an organisation, why haven't the other major accounting firms also collapsed because they too all have consulting divisions?

So why did Arthur Andersen collapse?

I am going to argue that the seeds of its destruction were sown in early 1960s when it started to use the Myers-Briggs Type Indicator (MBTI) as its profiling methodology.

## Explanation and History of MBTI

The theory of psychological type was introduced in the 1920s by Carl G. Jung. The MBTI tool was developed in the 1940s by Isabel Briggs Myers and her mother Katherine Briggs during the 1940s and '50s. The instrument was first published in 1962. The tool helps you to identify your basic preferences of each of the four dichotomies specified or implicit in Jung's theory. A preference is what you like. There are no right or wrong preferences in the four dichotomies:

**Favourite world:** Do you prefer to focus on the outer world or on your own inner world? This is called Extraversion (E) or Introversion (I).

**Information:** Do you prefer to focus on the basic information you take in or do you prefer to interpret and add meaning? This is called Sensing (S) or Intuition (N).

**Decisions:** When making decisions, do you prefer to first look at logic and consistency or first look at the people and special circumstances? This is called Thinking (T) or Feeling (F).

**Structure:** In dealing with the outside world, do you prefer to get things decided or do you prefer to stay open to new information and options? This is called Judging (J) or Perceiving (P).

When you decide on your preference in each category, you have your own personality type, which can be expressed as a code with four letters which leads in turn to a type table:

<p><b>ISTJ</b></p> <p>Responsible, sincere, analytical, reserved, realistic, systematic. Hardworking and trustworthy with sound practical judgment.</p>	<p><b>ISFJ</b></p> <p>Warm, considerate, gentle, responsible, pragmatic, thorough. Devoted caretakers who enjoy being helpful to others.</p>	<p><b>INFJ</b></p> <p>Idealistic, organized, insightful, dependable, compassionate, gentle. Seek harmony and cooperation, enjoy intellectual stimulation.</p>	<p><b>INTJ</b></p> <p>Innovative, independent, strategic, logical, reserved, insightful. Driven by their own original ideas to achieve improvements.</p>
<p><b>ISTP</b></p> <p>Action-oriented, logical, analytical, spontaneous, reserved, independent. Enjoy adventure, skilled at understanding how mechanical things work.</p>	<p><b>ISFP</b></p> <p>Gentle, sensitive, nurturing, helpful, flexible, realistic. Seek to create a personal environment that is both beautiful and practical.</p>	<p><b>INFP</b></p> <p>Sensitive, creative, idealistic, perceptive, caring, loyal. Value inner harmony and personal growth, focus on dreams and possibilities.</p>	<p><b>INTP</b></p> <p>Intellectual, logical, precise, reserved, flexible, imaginative. Original thinkers who enjoy speculation and creative problem solving.</p>
<p><b>ESTP</b></p> <p>Outgoing, realistic, action-oriented, curious, versatile, spontaneous. Pragmatic problem solvers and skillful negotiators.</p>	<p><b>ESFP</b></p> <p>Playful, enthusiastic, friendly, spontaneous, tactful, flexible. Have strong common sense, enjoy helping people in tangible ways.</p>	<p><b>ENFP</b></p> <p>Enthusiastic, creative, spontaneous, optimistic, supportive, playful. Value inspiration, enjoy starting new projects, see potential in others.</p>	<p><b>ENTP</b></p> <p>Inventive, enthusiastic, strategic, enterprising, inquisitive, versatile. Enjoy new ideas and challenges, value inspiration.</p>
<p><b>ESTJ</b></p> <p>Efficient, outgoing, analytical, systematic, dependable, realistic. Like to run the show and get things done in an orderly fashion.</p>	<p><b>ESFJ</b></p> <p>Friendly, outgoing, reliable, conscientious, organized, practical. Seek to be helpful and please others, enjoy being active and productive.</p>	<p><b>ENFJ</b></p> <p>Caring, enthusiastic, idealistic, organized, diplomatic, responsible. Skilled communicators who value connection with people.</p>	<p><b>ENTJ</b></p> <p>Strategic, logical, efficient, outgoing, ambitious, independent. Effective organizers of people and long-range planners.</p>

Since its introduction the MBTI has become the most widely used profiling tool world-wide. It is taken by more than 2.5 million people a year, and is used by 89 of the Fortune 100 companies.

One of the major reasons for its popularity was the family friendship with Edward N. Hay, who was then personnel manager for a large Philadelphia bank. Neither Myers nor Briggs was formally educated in the discipline of psychology, and both were self-taught in the field of psychometric testing. From Hay, Myers learned rudimentary test construction, scoring, validation, and statistical methods. In 1943, he launched Hay Group, a management consultancy that focused on improving the personnel side of businesses, which he believed was a neglected and underdeveloped area. In 1945, Hay got his first major contract, from General Foods Corporation to study and evaluate 450 management jobs. Hay became one of world's leading consultancies employing 3,000 people by 2015 when it merged with Korn Ferry. During its 70 years it became a strong advocate of Myers-Briggs.

However probably as important to its growth was the adoption of the MBTI by Arthur Andersen in the 1960s. The critical question every technology start-up faces is "Who else is using it?" Arthur Andersen by the 1960s had so developed a reputation in the American commercial world for ethics and governance that it had become the ultimate reference sale. The answer "Arthur Andersen" was all that was necessary to convince the MBTI prospect to convert to a client.

What is the link between Emotional Intelligence and Myers-Briggs? Robin Hills, who runs the [EI4Change website](#), published a paper in 2017 on [Emotional Intelligence and the Myers Briggs Type Indicator](#). Robin prefers the 2x2 Goleman competency matrix (Self-Awareness, Self-Management, Empathy, Social Skills) as his preferred Emotional Intelligence model.

His first key message is that Type is fixed, Emotional Intelligence is changeable. According to Robin there are two main ways of considering the relationship between Emotional Intelligence and Myers Briggs Type. Type will influence the development of Emotional Intelligence while Emotional Intelligence will influence the development of Type.

This interdependence means that Emotional Intelligence influences the effectiveness with which Type is expressed, and Type influences the ease with which different characteristics of Emotional Intelligence are learnt. As a simple example if you are an Introvert you should be better at Self-Awareness; but if you are an Extravert you should be better at Social Skills.

## Flaws of MBTI

One of the most well-known critics of the MBTI is Professor Adam Grant of the Wharton Business School. His latest critique listed the following flaws:

### **Poor Reliability**

A test is reliable if it produces the same results from different sources. Type is meant to be fixed but the MBTI test is not reliable. Over half of people taking the MBTI a second time are classified differently. <https://www.medicaldaily.com/personality-tests-are-not-accurate-myers-briggs-personality-test-not-reliable-416652>

Research shows "that as many as three-quarters of test takers achieve a different personality type when tested again," writes Annie Murphy Paul in *The Cult of Personality Testing*, "and the sixteen distinctive types described by the Myers-Briggs have no scientific basis whatsoever." In a recent article, Roman Krznaric adds that "if you retake the test after only a five-week gap, there's around a 50 percent chance that you will fall into a different personality category."

### **Poor Validity**

A test is valid if it predicts outcomes that matter. If we're going to use it in organizations, it should shed light on how well I'll perform in a particular job or with a certain group of people. Although there are data suggesting that different occupations attract people of different types, there is no convincing body of evidence that types affect job performance or team effectiveness. As management researchers William Gardner and Mark Martinko write in a comprehensive review, "Few consistent relationships between type and managerial effectiveness have been found."

### **Poor Taxonomy of Categories**

Categories are mutually exclusive if they capture different traits that are separate, and combine traits that have commonalities. In the MBTI, thinking and feeling are opposite poles of a continuum. In reality, they're independent: we have three decades of evidence that if you like ideas and data, you can also like people and emotions. (In fact, more often than not, they go hand in hand: research shows that people with stronger thinking and reasoning skills are also better at recognizing, understanding, and managing emotions.) The first time Grant took the MBTI he scored as a Thinker, and next time he was as a Feeler.

The feeling type is supposed to tap into your orientation toward people and emotions. But this lumps together three separate traits that capture a positive orientation toward others, the tendency to feel negative emotions, and the receptivity toward these emotions.

### **No measure of emotional stability**

A comprehensive test assesses the major categories that exist. One of the key elements missing from the MBTI is what personality psychologists call emotional stability versus reactivity — the tendency to stay calm and collected under stress or pressure. This turns out to be one of the most important predictors of individual and group patterns of thought, feeling, and action.

### **Poor measure of conscientiousness**

The judging-perceiving scale captures whether I'm an organizer and a planner, but overlooks the industriousness and achievement drive that tend to accompany these characteristics — together, they form a personality trait called conscientiousness. As personality psychologists Robert McCrae and Paul Costa sum it up, "the MBTI does not give comprehensive information on the four domains it does sample."

### **The Mega-Misconception**

Secondly Extraversion is on a spectrum. To divide people into two types is to create what Hans Rosling calls The Mega Misconception that "The World is Divided in Two". We all suffer from the irresistible temptation to divide all kinds of things into two distinct and conflicting groups, with an imagined gap in between. (This is best explained in the first chapter of Hans Rosling's book *Factfulness: Ten Reasons We're Wrong About the World - and Why Things Are Better Than You Think*). The reality is that most things are dispersed on a spectrum that is spread along the Normal Distribution or Bell Curve. One sixth of us are Extraverts, one sixth introverts, and two-thirds in between are Ambiverts.

So even introversion-extraversion, the trait the MBTI captured best, is incomplete. According to the MBTI, extraversion is about where you get your energy: from the outside world or the inner world. This is partially right, but it's not because of a preference for interacting with people. Our scores are heavily shaped by how our brains process neocortical arousal. As Susan Cain explains in *Quiet*, "more than a thousand studies conducted by scientists worldwide"

suggest that introverts “are more sensitive than extroverts to various kinds of stimulation, from coffee to a loud bang to the dull roar of a networking event.” Besides, it turns out that like all personality traits, introversion-extraversion is shaped like a bell curve: it’s more common to be in the middle. Sixty-seven percent of us are ambiverts: in Dan Pink’s words from *To Sell is Human*, most people are “neither overly extraverted nor wildly introverted.”

### **No recognition of the Corporate Psychopath**

This to me is the Fatal Flaw of the MBTI; it fails to recognise corporate psychopaths. I will discuss corporate psychopaths in more detail in the next section but psychopathy is a trait normally distributed in the population. So 15% of the population have psychopathy as a strong trait. The MBTI does not walk alone in this regard. The other major people profiling systems, DISC and the Big Five, do not recognise psychopaths either.

### **Corporate Psychopaths**

The seminal work on corporate psychopaths is *Snakes in Suits: When Psychopaths Go to Work* by industrial psychologist Paul Babiak and criminal psychologist Robert D. Hare published in 2006. In 2008 I attended a seminar by Dr John Clarke, a lecturer in Psychology at the University of Sydney, consultant to the NSW Police Force, and widely regarded as Australia's expert on corporate psychopaths. There were over 100 attendees, of which around 90% were females who had suffered at the hands of a corporate psychopath and were looking for revenge.

Clarke put up the following checklist to enable you to recognise the corporate psychopath:

- Charming but frequently lie (very flexible)
- Does whatever it takes to close a deal
- Take credit for other peoples’ work
- Guiltlessly blame co-workers and subordinates, never remorseful
- Self-focused and act self-important
- Good at manipulating people emotionally
- Multiple sexual encounters
- Never ask permission but if caught out will sincerely ask for forgiveness

I remember when I saw this checklist how similar it was to the Hustler checklist when I first learned the Humm-Wadsworth in 1974.

Dr Clarke said that prospective employers should look for two things on a potential employee's resume: frequent job changes and limited educational qualifications. Corporate psychopaths can create a very good initial impression but often their peers soon become intolerant of their workplace habits. In particular, people dislike the taking of credit for the ideas of others, and the blaming of others (typically an underling) for mistakes. Corporate psychopaths are very good at sensing this antipathy, and so change jobs frequently; often leveraging themselves into a higher position.

Schools and universities ultimately judge their students on their academic results, which for most of us means work. Psychopaths are often inherently lazy, and their charm and people skills are of little help in the examination room. People with nothing to hide will elaborate on their education, specifying dates, subjects done, awards and extracurricular activities. The education section of a resume, after all, is something that is very easy for an employer to verify. If there have been issues, and with psychopaths there generally are, the education entry will often be pitifully short and devoid of detail.

Hand in hand with the corporate psychopath is the Dark Triad which refers to the personality traits of narcissism, Machiavellianism, and psychopathy. All three dark triad traits are conceptually distinct although empirical evidence shows them to be overlapping. They are associated with a callous-manipulative interpersonal style:

- Narcissism is characterized by grandiosity, pride, egotism, and a lack of empathy.
- Machiavellianism is characterized by manipulation and exploitation of others, a cynical disregard for morality, and a focus on self-interest and deception.
- Psychopathy is characterized by continuing antisocial behaviour, impulsivity, selfishness, callousness, and remorselessness.

Hare developed a psychopathy checklist in the 1970s which has since been revised and is known as the PCL-R or Psychopathy Checklist—Revised. The Dark Triad has its own checklist known as Short Dark Triad. It was developed in 2011 by Delroy Paulhus and Daniel Jones and consists of twenty-seven statements that must be rated on how much you agree with them. The test should not take most people more than five minutes.

Sometimes researchers combine the Big Five with the Short Dark Triad. One study in 2017 involved hundreds of Danish students enrolled to begin studying either psychology, politics/law, or business/economics who first took a combination of the Big Five and Dark Triad personality tests. The study discovered Business/economics students scored the highest of all on the Dark Triad, followed by Law/Politics and then psychology.

## Why Arthur Andersen failed

This is why Andersen collapsed. It was not just the introduction of profit culture (that had been there from the beginning) but because Andersen was now being led by corporate psychopaths who had slipped through the MBTI net. Unfortunately, Myers-Briggs is really a profiling technique which is based on how we make decisions. It does not tell you whether someone has Psychopathic, Narcissistic or Machiavellian traits. This is not the first time a corporate psychopath is selected as CEO and subsequently caused the destruction of an organisation and it will not be the last.

Moreover, there is a second problem. If Arthur Andersen was using an Emotional Intelligence test it would not have improved the situation. At the 2017 Oporto conference the most popular Emotional Intelligence model used was the Salovey-Myer RULER model of Recognizing, Understanding, Labelling, Expressing, and Regulating emotions. At the conference Marc Brackett described the Mood Meter App to help you RULER your emotions. According to Brackett an individual goes through hundreds of positions on the Mood Meter every day which frankly makes it an impractical tool for commercial use. What organisations need and want is a tool that profiles a person's emotional predispositions. More importantly it should help an organisation screen out corporate psychopaths and corporate bullies.

New evidence shows that when people hone their emotional skills, they become better at manipulating others. When you're good at controlling your own emotions, you can disguise your true feelings. When you know what others are feeling, you can tug at their heartstrings and motivate them to act against their own best interests.

Recognizing the power of emotions, one of the most influential leaders of the 20th century spent years studying the emotional effects of his body language. Practicing his hand gestures and analysing images of his movements allowed him to become "an absolutely spellbinding public speaker," says the historian Roger Moorhouse, "it was something he worked very hard on." His name was Adolf Hitler.

In a study led by the University of Toronto psychologist Stéphane Côté, university employees filled out a survey about their Machiavellian tendencies, and took a test measuring their knowledge about effective strategies for managing emotions. Then, Cote's team assessed how often the employees deliberately undermined their colleagues. The employees who engaged in the most harmful behaviours were Machiavellians with high emotional intelligence. They used their emotional skills to demean and embarrass their peers for personal gain.

## Profiling Systems That Include Corporate Psychopaths as Part of Their Taxonomy.

Unfortunately the MBTI, its major competitor, DISC, and the Big Five do not include psychopathy as one of the personality components. One profiling system that does is the HEXACO model with six components developed by Kibeom Lee and Michael C. Ashton. The HEXACO model is complementary to the Five Factor model. It retains the Extraversion, Agreeableness, Conscientiousness, and Openness to Experience factors of the Five Factor model. The major changes are that it adds the Honesty/Humility factor and replaces the "Neuroticism" factor with an "Emotionality" factor. Lee & Ashton define the H factor as Honesty and Humility. It is on a bell curve spectrum like the Big 5 factors with around 15% of the population having low H. These are the potential corporate psychopaths.

Another personality model is the 7MTF/Humm. This model has a long pedigree. In 1924, an American psychologist, Rosanoff, changed the way people thought about mental illness. Until the work of Rosanoff, doctors defined abnormal psychological conditions in black and white: people were either mad or not. Rosanoff suggested that such a distinction between the normal and abnormal states was artificial and the difference was not one of kind but of degree. Normality and abnormality are not black and white but as different shades of grey.

Rosanoff further noted there were few mental illnesses and proposed a theory of personality based on the most common four:

- schizophrenia
- epilepsy
- hysteria
- cyclodia (what we now would call manic-depression or the bi-polar personality disorder)

and a fifth component that he called the Normal which is the converse of Neuroticism.

In 1933 two southern Californians, Humm, a statistician, and Wadsworth, a clinical psychologist, using the newly developed technique multivariate factor analysis extended the Rosanoff hypothesis by sub-dividing both cyclodia and schizophrenia into four new components. Cyclodia was divided into manic-depression and schizophrenia divided into autistic-paranoid. The Humm-Wadsworth model thus had seven personality temperament components. The original test was published in 1935 and the Humm-Wadsworth Temperament Scale soon became a preferred test for personality profiling.

In 2007 I retired from the venture capital industry after 25 years and decided to develop a third part-time career in pushing the Humm-Wadsworth as the secret to lifting your emotional intelligence. I published *The Humm Handbook* for managers and created a business running workshops, doing EQ coaching and writing some 250 blogs. Over the next nine years the original mental illness list used by Humm & Wadsworth was modified to mania, depression,

autism, paranoia, obsessive-compulsive disorder, psychopathy and neuroticism. In addition I also signed up JV partners in China and the USA.

While working with my JV partner in the USA he said the marketability of the technology would be improved if new names were used to reflect the changes and to avoid confusion we should rename the model the 7MTF standing for the Seven Motivational-Temperament Factors. The new names for the Emotional Intelligence Core Components are GoGetter, Regulator, Artist, Socialiser, Politician, Engineer, and Doublechecker which conveniently form a mnemonic: GRASPED. The five most common 7MTF components Artist, Engineer, Socialiser, Doublechecker and Regulator match up with the Five-Factor Model Openness to Creativity, Conscientiousness, Extraversion, Agreeableness, and Neuroticism which provides scientific validity for 7MTF, plus it accounts for the two drivers of toxic leaders: corporate bullies and corporate psychopaths.

<b>1935 Humm-Wadsworth</b>	<b>1993 Empathy Selling</b>	<b>Revised Mental Illness</b>	<b>7 MTF</b>
Normal	Normal	Neurotic	Regulator
Manic	Mover	Manic	Socialiser
Depressive	Doublechecker	Depressive	Doublechecker
Autistic	Artist	Autistic	Artist
Paranoid	Politician	Paranoid	Politician
Epileptoid	Engineer	Obsessive-Compulsive	Engineer
Hysteroid	Hustler	Anti-Social (Dark Triad)	GoGetter

In summary in the same way that the Humm-Wadsworth is built on foundations of Rosanoff; the 7MTF is built on the work of Humm and Wadsworth.

### **Conclusion**

Arthur Andersen failed because it was fervent user of the MBTI which failed to screen out corporate psychopaths. Unfortunately, several of them reached the highest echelons of the organisation and changed the culture. The desire for profit eradicated probity.

Regrettably, the current Emotional Intelligence models would not have been a help. The problem with these models is that they argue that it is the transient emotions that are important. I disagree. I believe that what is essential in lifting your Emotional Intelligence is an understanding of temperament, which is that part of the personality that is genetically based and is what determines our habitual emotional responses.

Caruso and Salovey do refer in passing to some people having typical ways of looking at the world and call these dispositional traits. I would argue the opposite and say all of us have core dispositional traits and that it the mixture of these traits with some being dominant and others weak that make us all unique. The model that I have found best at explaining temperament is the 7MTF. This model says we are all slightly insane and as I get older, I am more and more relaxed about this hypothesis. The model also says we have seven core emotional drives based on the seven most common forms of mental illness.

I started this paper with one quotation and I will finish with another:

*“The tragedy about history - personally and globally - is that while we may learn it we rarely learn from it.” — Rasheed Ogunlaru*