

Why Do Organizations Fail?

: Focusing on Leaders' Psychological Traits

Jihyeon YANG¹, Hojin BANG²

¹ Ph.D. Student, Department of Business Administration, Jeju National University, Korea,
jih1080@naver.com

² Professor, Department of Business Administration, Jeju National University, Korea
hojinbang@jejunu.ac.kr

Corresponding author: Hojin BANG

Abstract:

This study investigates organizational failure from the perspective of leaders' psychological traits rather than structural or institutional factors. Specifically, it examines how leaders' psychological entitlement, illusion of control bias, and self-enhancement bias influence team-level relational dynamics and, ultimately, employees' negative organizational behaviors.

Using survey data collected from 208 employees across 69 teams, the proposed model was tested through structural equation modeling. The results indicate that leaders' psychological entitlement and self-enhancement bias significantly undermine team-member exchange (TMX), whereas illusion of control bias showed an unexpected positive effect. Furthermore, TMX was found to reduce organizational silence, unethical pro-supervisor behavior, and quiet quitting, and partially mediate the relationship between leaders' psychological traits and these negative behaviors.

By shifting the focus from leadership styles to leaders' underlying psychological characteristics, this study highlights the relational mechanisms through which cognitive distortions accumulate into organizational failure. The findings offer both theoretical insights into leadership research and practical implications for bias awareness and relational management in organizations.

Keywords: Psychological Entitlement, Illusion of Control Bias, Self-Enhancement Bias, Team-Member Exchange(TM), Organizational Silence, Unethical Pro-Supervisor Behavior, Quiet Quitting

1. Introduction

Many organizations fail to achieve their expected performance despite possessing sufficient resources, institutional frameworks, and strategic plans. External factors have traditionally explained

* This work was supported by the research grant of Jeju National University in 2024.

such organizational failures; however, recent studies have increasingly focused on leaders' perceptions and judgment processes as critical internal factors in organizational failure. Distorted judgments by leaders can permeate organizational decision-making and relational structures, thereby serving as a significant source of organizational failure.

In particular, following the COVID-19 pandemic, the expansion of remote work arrangements and performance-oriented management systems has transformed employees from passive executors into active agents who decide whether to engage with or distance themselves from their organizations. As a result, the influence of leaders' perceptions and judgments on employees' attitudes and behaviors has become increasingly pronounced. While traditional organizational behavior research has primarily focused on leaders' behaviors or leadership styles, increasing attention has been directed toward leaders' internal characteristics—such as psychological entitlement and cognitive biases—as key factors that distort relational dynamics and employee behavior within organizations.

In this changing organizational context, leaders' subjective interpretations of situations and cognitive tendencies play a decisive role in shaping how authority is exercised and how relationships are formed within teams. Leaders with strong psychological entitlement or biased judgment tendencies are more likely to interpret organizational outcomes, overestimate their personal control over events, and dismiss dissenting or critical input from subordinates. Such distorted perceptions can legitimize unfair treatment, suppress upward voice, and normalize excessive expectations of loyalty, thereby undermining trust and reciprocity within teams. Consequently, employees are increasingly influenced not only by leaders' observable behaviors but also by the underlying psychological assumptions and cognitive frames that guide leaders' decisions.

These psychological traits are likely to weaken social exchange structures within teams, thereby increasing the likelihood of members' negative organizational behaviors, including organizational silence, quiet quitting, and unethical pro-leader behavior. In this process, team–member exchange (TMX) serves as a critical mediating role linking leaders' psychological traits to members' behavior. However, empirical research that integrates the transmission of leaders' psychological traits and cognitive biases into employee behaviors through TMX remains limited. Accordingly, this study aims to analyze the effects of leaders' psychological entitlement and cognitive biases on TMX and test the mediating role of TMX in the relationship between leaders' psychological traits and negative organizational behaviors. By doing so, this study seeks to explain the mechanism by which leaders' psychological traits lead to organizational failure.

Despite extensive research on leadership styles and behaviors, relatively little attention has been given to leaders' underlying psychological traits as root causes of organizational failure. Prior studies have largely focused on observable leadership patterns, while treating leaders' internal cognitive biases as peripheral rather than explanatory variables. However, leadership behaviors often stem from deeper psychological dispositions that shape relational dynamics within teams. Without examining these internal mechanisms, our understanding of organizational failure remains incomplete. Accordingly, this study asks how leaders' psychological traits contribute to organizational failure through relational mechanisms.

By identifying team–member exchange (TMX) as a key mediating pathway, this study shifts the focus from leadership styles to the psychological origins of relational breakdown, offering a more foundational explanation of organizational failure.

2. Literature Review

2.1 Psychological Entitlement

Psychological entitlement is a psychological trait in which individuals believe they deserve greater rewards and preferential treatment than others, regardless of their actual contributions or performance [1][2]. In organizational contexts, this tendency is particularly prominent among leaders, manifesting as a prioritization of personal judgments and expectations over organizational norms or standards of fairness, along with a systematic devaluation of others' contributions and feedback [2][3]. Such entitlement-driven perceptions undermine cooperative relationships and erode trust, thereby diminishing the quality of exchange relationships within teams[4]. As a result, employees are more likely to withhold their voices and engage in psychological distancing, which may ultimately give rise to negative organizational behaviors such as organizational silence, quiet quitting, and unethical behavior [5]. Accordingly, psychological entitlement can be understood as a critical psychological risk factor in leaders that contributes to organizational failure. Moreover, leaders with strong psychological entitlement tend to perceive compliance and loyalty as deserved obligations rather than outcomes of reciprocal exchange, thereby reinforcing power asymmetries within teams.

Over time, such entitlement-driven relational imbalances weaken the social foundations of coordination and pose systemic risks to team functioning and organizational sustainability. Taken together, psychological entitlement in leaders may distort reciprocity norms and weaken relational exchanges within teams. From a social exchange perspective, such entitlement-driven asymmetry is likely to undermine team–member exchange (TMX), thereby increasing the likelihood of negative behavioral responses among employees.

2.2 Illusion of Control Bias

The illusion of control is a cognitive bias in which individuals believe they exert an excessive degree of influence over outcomes, in fact, beyond their control [6]. In organizational contexts, this bias manifests as a distorted attribution process in which individuals overattribute success to their own abilities while attributing failure to external factors [7]. When exhibited by leaders, the illusion of control is particularly problematic, as it reinforces overconfidence, underestimates risks, and excludes critical feedback from decision-making processes [8]. Such tendencies undermine the quality of exchange relationships within teams and increase the likelihood of organizational silence and psychological distancing. Consequently, the illusion of control bias functions as a core cognitive risk factor for leaders, ultimately contributing to organizational failure. When leaders overestimate their personal control and discount feedback, relational symmetry within teams may deteriorate. Such cognitive distortions are expected to shape the quality of exchange relationships, ultimately influencing TMX and subsequent employee behaviors.

2.3 Self-Enhancement Bias

Self-enhancement bias is a cognitive behavior in which individuals evaluate their own abilities and performance more positively than is objectively warranted and perceive themselves as above average in

social comparisons[9]. In organizational contexts, this bias leads individuals to place excessive confidence in their own judgments while discounting others' opinions and feedback, which, when exhibited by leaders, can result in unilateral decision-making and the erosion of relational trust [10][11]. Consequently, self-enhancement bias diminishes the quality of exchange relationships within teams. It promotes employees' voice avoidance and psychological distancing, thereby functioning as a core cognitive risk factor for leaders that can ultimately contribute to organizational failure [9][11]. Moreover, leaders characterized by a strong illusion of control tend to discount the informational value of subordinates' input, perceiving dissent or caution as unnecessary or even obstructive. Over time, this biased judgment pattern weakens reciprocal trust and mutual dependence within teams, thereby eroding the relational foundations required for effective coordination and adaptive decision-making. By reinforcing unilateral decision-making and diminishing openness to dissent, self-enhancement bias may erode mutual trust among team members. Consequently, this bias is theoretically linked to reduced TMX and heightened negative organizational behaviors.

2.4 Team-Member Exchange(TMx)

Based on social exchange theory, Seers (1989) extended the concept of leader-member exchange (LMX) to explain team-member exchange (TMX) as a form of horizontal exchange relationship that develops among team members [12]. TMX refers to individuals' overall perceptions of the level and quality of mutual exchanges—such as information, assistance, feedback, and recognition—shared with their colleagues[12][13] and emphasizes a collective exchange structure formed at the team level rather than dyadic relationships alone. Higher levels of TMX foster mutual support, information sharing, and trust between leaders and members, thereby facilitating cooperation and problem-solving. In contrast, low TMX is associated with constrained communication and collaboration, increasing the likelihood of psychological distancing and passive behavioral responses among team members. Accordingly, TMX can be understood as a critical relational mechanism through which leaders' psychological traits are transmitted into employees' organizational behaviors. Importantly, TMX captures the relationship shaped indirectly by leaders' perceptions and judgments, even when leaders are not directly involved in every interaction among members. Leaders' psychological entitlement and cognitive biases can influence how exchange norms are established and maintained within teams, thereby systematically shaping TMX quality[13].

2.5 Organizational Silence

Organizational silence is the deliberate withholding of information, concerns, or opinions that could contribute to organizational improvement or problem-solving processes, despite employees' awareness of their relevance[5]. Rather than representing a mere absence of voice, organizational silence is understood as a strategic behavior motivated by concerns about potential negative consequences or self-protection[14].

Although silence may at times be interpreted as compliance, loyalty, or conflict avoidance, a growing body of research suggests that it can have systematically detrimental effects on organizations.

First, organizational silence undermines decision quality. When employees refrain from voicing concerns about operational inefficiencies, ethical risks, or strategic misalignments, critical information fails to reach decision-makers. This informational distortion reduces managerial awareness of emerging threats and weakens the organization's capacity to diagnose problems accurately. Over time, the absence of upward communication can lead to escalation of errors, flawed strategic choices, and avoidable crises.

Second, silence impedes organizational learning and innovation. Effective learning systems depend

on feedback, error reporting, and constructive dissent. When employees withhold suggestions or refrain from questioning established practices, organizations lose opportunities for process improvement and adaptive change. Particularly in dynamic or high-uncertainty environments, suppressed voice behaviors can diminish organizational agility and long-term competitiveness.

Third, organizational silence contributes to ethical deterioration and the accumulation of risks. The suppression of concerns about misconduct or rule violations allows problematic behaviors to persist unchecked. In such contexts, silence may normalize deviance, weaken accountability structures, and foster climates in which ethical breaches escalate. The absence of internal challenge mechanisms increases exposure to reputational damage, legal liability, and stakeholder distrust.

Fourth, silence negatively affects employee well-being and engagement. Persistent suppression of voice may generate psychological strain, cynicism, and emotional exhaustion. When employees perceive that speaking up is futile or unsafe, their organizational commitment and identification are likely to decline, thereby increasing turnover intentions and reducing discretionary effort.

Finally, organizational silence can erode trust and psychological safety. A climate in which individuals avoid expressing concerns signals that dissent is unwelcome or risky. Such climates weaken relational transparency between hierarchical levels and inhibit open dialogue, further reinforcing the silence cycle.

Taken together, organizational silence represents not merely an absence of communication but a structural constraint on information flow, learning, and ethical governance. By distorting decision processes, inhibiting innovation, amplifying risk, and undermining employee engagement, silence can impose substantial short- and long-term costs on organizational effectiveness.

Prior research suggests that organizational silence is fostered by authoritarian leadership, hierarchical structures, negative reactions to employee voice, and low levels of psychological safety [15][16]. Within such environments, employees come to perceive speaking up as a risky act and instead opt for silence, which ultimately undermines information sharing and collective learning, thereby exerting detrimental effects on organizational innovation and performance [13]. From a relational perspective, organizational silence reflects a breakdown of exchange norms in which employees no longer expect their input to be valued or reciprocated[5]. When team-level exchange relationships, such as TMX, are weakened, organizational silence becomes a rational response to relational uncertainty and the perceived futility of voice. Consequently, organizational silence serves not only as an individual coping strategy but also as a collective symptom of relational dysfunction within teams.

2.6 Unethical Pro-Supervisor Behavior

Unethical pro-supervisor behavior (UPSB) is actions taken by subordinates that violate organizational rules or ethical standards for the benefit of their supervisor, rather than the organization's benefit [17][18]. Such behaviors typically include concealing a supervisor's mistakes, distorting facts, or assuming responsibility for the supervisor.

Research on unethical pro-supervisor behavior has evolved as a stream within the broader literature on unethical prosocial behavior. Prosocial behavior in organizations has generally been regarded as a desirable phenomenon, associated with positive outcomes such as cooperation, customer satisfaction, and enhanced team performance. However, prosocial motivation does not invariably translate into ethical outcomes. Recent research suggests that intentions to help others—such as colleagues, teams, organizations, or customers—or to advance organizational interests may, paradoxically, manifest in

behaviors that violate established norms, rules, or moral principles. This line of inquiry conceptualizes such conduct as Unethical Prosocial Behavior (UPB).

UPB represents a hybrid form of conduct in which altruistic intent coexists with ethical transgression. Unlike traditional forms of unethical behavior, which are primarily driven by self-interest, UPB is characterized by prosocial motivation. Despite its ostensibly benevolent intent, UPB carries significant implications for organizational rule compliance, trust, legal risk exposure, and long-term performance sustainability.

Nevertheless, several areas require further theoretical and empirical development. These include: (1) clarifying the conceptual boundaries of UPB vis-à-vis related constructs such as organizational citizenship behavior (OCB) and misconduct; (2) identifying the motivational and cognitive justification mechanisms underlying UPB; (3) examining the interaction effects among individual, situational, and leadership factors; and (4) assessing the long-term costs and downstream consequences associated with UPB.

Prior research suggests that stronger social exchange relationships or identification with supervisors activate reciprocity-based motives, thereby increasing the likelihood of engaging in UPSB [19][20]. Although these behaviors may provide short-term benefits to supervisors, they ultimately function as structural risk factors that undermine organizational fairness and ethical standards in the long term. From a relational perspective, UPSB arises when exchange relationships become distorted, such that loyalty to the supervisor outweighs adherence to organizational norms [18]. In such contexts, unethical accommodation is perceived as an implicit relational obligation, leading to dysfunctional outcomes in which distorted leader-member exchanges contribute to organizational failure.

2.7 Quiet Quitting

Quiet quitting is a pattern of behavior in which employees remain formally employed but limit their work to the minimum requirements specified in their job descriptions, refraining from additional effort or discretionary contributions [21][22]. Rather than constituting an explicit intention to leave the organization, quiet quitting represents a coping response in which employees choose psychological distancing in situations characterized by accumulated imbalances between expectations and rewards. Prior research indicates that excessive workload, low perceptions of distributive and procedural fairness, lack of leader attention, and toxic organizational cultures are key antecedents of quiet quitting [23][24]. Such disengagement ultimately undermines voluntary cooperation, team cohesion, and organizational performance, thereby functioning as a form of negative organizational behavior [25].

Quiet quitting reflects employees' adaptive withdrawal in response to weakened exchange relationships and diminished expectations of reciprocity [22]. When team-level exchange structures such as TMX deteriorate, reducing discretionary effort becomes a rational strategy to conserve resources while remaining formally compliant. Recent studies conducted in the post-pandemic context further suggest that quiet quitting reflects relational disengagement rather than mere withdrawal of effort, emphasizing the importance of exchange quality within teams [26].

3. Research Methodology

Organizational failure can arise structurally, not from deficiencies in institutions or strategies, but from how leaders' psychological and cognitive traits are transmitted to employees' relational perceptions and behavioral responses. In particular, leaders' cognitive distortions—such as psychological entitlement, illusion of control bias, and self-enhancement bias—are likely to undermine employees' autonomy, trust, and mutual respect, thereby reducing the quality of social exchange relationships within teams. Accordingly, this study posits that leaders' negative psychological traits exert a detrimental effect on team members' perceptions of TMX.

[H1] Leader's psychological entitlement is negatively related to team members' perceptions of TMX.

[H2] Leader's illusion of control bias is negatively related to team members' perceptions of TMX.

[H3] Leader's self-enhancement bias is negatively related to team members' perceptions of TMX.

TMX is a core social exchange relationship that reflects the level of trust, cooperation, and mutual support within a team. When the quality of TMX deteriorates, team members are more likely to avoid speaking up and to engage in psychological distancing from the organization. Such relational deterioration increases the likelihood of negative organizational behaviors, including organizational silence, unethical pro-supervisor behavior, and quiet quitting.

[H4] Team members' perceptions of TMX are negatively related to organizational silence.

[H5] Team members' perceptions of TMX are negatively related to unethical pro-supervisor behavior.

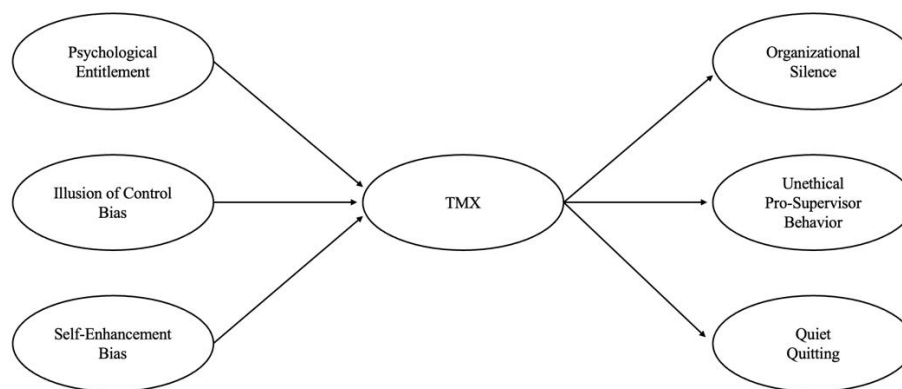
[H6] Team members' perceptions of TMX are negatively related to quiet quitting.

Leaders' negative psychological traits may not directly shape employees' behavioral responses; instead, they are likely to operate through changes in the quality of team-level interactions and exchange relationships. Accordingly, this study proposes TMX as a key mediating mechanism.

[H7] TMX is expected to mediate the relationships between the leader's psychological traits (psychological entitlement, illusion of control bias, and self-enhancement bias) and employee's negative organizational behaviors (organizational silence, unethical pro-supervisor behavior, and quiet quitting).

[Figure 1] illustrates the research model based on the hypotheses proposed above.

[Fig. 1] Research Model



4. Results and Discussion

4.1 Data Collection and Sample

To analyze the proposed research model and hypotheses, this study employed an online survey using a team-level sampling design. Each team consisted of one leader and one to three members. The sample comprised data from 69 teams, totaling 208 respondents, which were used for the empirical analyses. Of the participants, approximately 63% were male and 37% female. Participants were drawn from a wide range of organizational contexts, including small and medium-sized enterprises, startups, large corporations, mid-sized firms, and public organizations.

To align with the team-level research model, data were collected at the team level, with each team comprising one leader and one to three members. The survey was conducted online from August 1 to August 31, 2025. To ensure response consistency, participants were required to confirm their team affiliation, and only matched team-level responses were retained. A total of 75 teams (222 respondents) were initially collected. After excluding incomplete and careless responses, the final sample consisted of 69 teams and 208 respondents.

Among the leader respondents, 63.8% were male, and 36.2% were female, with a relatively high proportion working in small- and medium-sized enterprises and startups. Leadership positions included chief executive officers, executives, department heads, and team managers, indicating that the sample adequately represented organizational leaders consistent with the research purpose. Team members were also distributed across firms of varying sizes, and most had worked with their immediate leader for less than three years, including both less than one year and one to three years.

Differences in responses between leaders and members may reflect the 1:N relational structure typical within organizations, as well as frequent personnel changes. Importantly, the tenure distribution indicates that members had sufficient working experience with their respective leaders to provide meaningful evaluations, supporting the validity of the relational assessments.

4.2 Results

All variables were measured using previously validated scales adapted to the organizational context. Responses were assessed using a 5-point Likert scale ranging from 1 (“strongly disagree”) to 5 (“strongly agree”). Psychological entitlement was measured using items adapted from Campbell et al. (2004), illusion of control bias from Langer (1975), and self-enhancement bias from Taylor and Brown (1988). TMX was assessed using Seers’ (1989) scale, while organizational silence, unethical pro-

supervisor behavior, and quiet quitting were measured using established scales cited in prior research. Because the research model conceptualizes TMX as a team-level relational construct, a team-based sampling design was adopted. Aggregating responses at the team level allows for capturing shared relational perceptions rather than purely individual-level attitudes, which aligns with the theoretical foundation of social exchange theory. Structural equation modeling (SEM) using AMOS 22.0 was employed to test the proposed model, as SEM enables simultaneous examination of multiple direct and indirect relationships while accounting for measurement error.

The measurement instruments used in this study were adopted from widely used scales validated in prior research; therefore, content validity and criterion-related validity were deemed to be adequately ensured. To assess construct validity, a confirmatory factor analysis (CFA) was conducted using AMOS 22.0. The results of the measurement model indicated an acceptable fit to the data ($\chi^2/df = 1.593$, RMSEA = .093, CFI = .941). All standardized factor loadings exceeded the recommended threshold of .50. In addition, the average variance extracted (AVE) values were above .50, and composite reliability (C.R.) values exceeded .70, providing evidence of convergent validity. Reliability analysis further showed that Cronbach's α coefficients ranged from .913 to .991, indicating a high level of internal consistency across all constructs. Descriptive statistics indicated that all variables met the assumptions of normality, as skewness ($|skewness| < 2.0$) and kurtosis ($|kurtosis| < 4.0$) values satisfied the criteria suggested by Hong, Malik, and Lee (2003). Among the independent variables, self-enhancement bias exhibited the highest mean ($M = 3.67$), followed by psychological entitlement ($M = 3.39$) and illusion of control bias ($M = 3.32$). Regarding the dependent variables, unethical pro-supervisor behavior had the highest mean ($M = 3.01$), followed by organizational silence ($M = 2.69$) and quiet quitting ($M = 2.49$). The mediating variable, team-member exchange (TMX), was observed at a moderate level ($M = 3.40$). To examine the relationships among the variables, correlation analyses were conducted. The results revealed that TMX was significantly and negatively correlated with psychological entitlement ($r = -.536$, $p < .01$) and self-enhancement bias ($r = -.399$, $p < .10$). In contrast, its correlation with illusion of control bias was not statistically significant. In addition, TMX demonstrated significant negative correlations with organizational silence ($r = -.638$, $p < .01$), unethical pro-supervisor behavior ($r = -.473$, $p < .01$), and quiet quitting ($r = -.885$, $p < .01$). Furthermore, comparisons between average variance extracted (AVE) values and squared inter-construct correlations confirmed discriminant validity for all constructs.

As shown in [Table 1], leaders' psychological entitlement and self-enhancement bias exerted significant negative effects on TMX, providing support for [H1] and [H3]. In contrast, the illusion of control bias was statistically significant; however, its effect was in the opposite direction of that hypothesized. Accordingly, [H2] was rejected. In addition, TMX demonstrated significant negative effects on organizational silence, unethical pro-supervisor behavior, and quiet quitting, supporting [H4], [H5], and [H6]. These results suggest that TMX functions as a key explanatory variable linking employees' relational perceptions to negative organizational behaviors. Contrary to the hypothesis, the illusion of control bias showed a positive relationship with TMX. Although typically regarded as a cognitive distortion, perceived confidence and decisiveness associated with this bias may, in certain contexts, enhance relational perceptions within teams. In uncertain environments—such as post-pandemic organizational transitions—employees may interpret leaders' overconfidence as stability and direction rather than distortion. This aligns with prior research suggesting that some cognitive biases can function adaptively under specific conditions. However, while the illusion of control may generate short-term relational benefits, sustained overconfidence could pose long-term decision-making risks. Future research should examine contextual moderators, such as uncertainty or power distance, that may shape its relational effects.

[Table 1] Result of Direct Effecta

		β	S.E.	t-value
[H1]	PE → TMX	-0.434	0.107	-3.953***
[H2]	ICB → TMX	0.242	0.126	2.233**
[H3]	SEB → TMX	-0.306	0.122	-2.461**
[H4]	TMX → OS	-0.967	0.104	-9.366***
[H5]	TMX → UPSB	-0.283	0.119	-2.141**
[H6]	TMX → QQ	-0.956	0.085	-12.425***

***: p<0.01, **: P<0.05, *: p<0.1

<Note>

PE(Psychological Entitlement), ICB(Illusion of Control Bias), SEB(Self-Enhancement Bias), TMX(Team-Member Exchange), OS(Organizational Silence), UPSB(Unethical Pro-Supervisor Behavior), QQ(Quite Quitting)

The mediating effects were tested using a bootstrapping procedure with 5,000 resamples and 95% confidence intervals. Indirect effects were considered statistically significant when the confidence interval did not include zero. As presented in [Table 2], [H 7-1a], [H 7-1c], [H 7-3a], [H 7-3b], and [H 7-3c] were supported, indicating that TMX partially mediates the relationships examined in this study.

[Table 2] Result of Mediating Effects

		β	S.E.	t-value	LLCI	ULCI
[H 7-1a]	PE → OS	0.414	0.112	3.696	0.218	0.662
[H 7-1b]	PE → UPSB	0.108	0.071	1.521	-0.021	0.255
[H 7-1c]	PE → QQ	0.447	0.128	3.492	0.210	0.718
[H 7-2a]	ICB → OS	-0.275	0.158	-1.741	-0.576	0.602
[H 7-2b]	ICB → UPSB	-0.072	0.062	-1.161	-0.235	0.016
[H 7-2c]	ICB → QQ	-0.296	0.166	-1.783	-0.585	0.080
[H 7-3a]	SEB → OS	0.294	0.135	2.177	0.069	0.589
[H 7-3b]	SEB → UPSB	0.077	0.057	1.351	0.004	0.269
[H 7-3c]	SEB → QQ	0.318	0.148	2.149	0.083	0.681

<Note>

PE(Psychological Entitlement), ICB(Illusion of Control Bias), SEB(Self-Enhancement Bias), TMX(Team-Member Exchange), OS(Organizational Silence), UPSB(Unethical Pro-Supervisor Behavior), QQ(Quite Quitting)

5. Conclusion

This study examined organizational failure through the lens of leaders' psychological traits, emphasizing the internal cognitive processes that shape relational dynamics within teams. By moving beyond structural explanations and observable leadership styles, the study investigated how psychological entitlement, illusion of control bias, and self-enhancement bias influence team–member exchange (TMX) and, through this relational mechanism, translate into negative organizational behaviors. The findings demonstrate that psychological entitlement and self-enhancement bias significantly undermine TMX, thereby increasing employees' tendencies toward organizational silence, unethical pro-supervisor behavior, and quiet quitting. These results suggest that leaders' distorted self-perceptions and cognitive biases gradually erode relational reciprocity within teams, weakening the social exchange foundations that sustain organizational functioning.

Interestingly, the illusion of control bias showed a positive relationship with TMX, indicating that the relational consequences of cognitive tendencies may not be uniformly detrimental. This finding implies that under certain contextual conditions, confidence and decisiveness associated with control beliefs may temporarily reinforce relational perceptions. However, such short-term relational benefits do not necessarily negate the potential long-term risks associated with persistent cognitive distortion. Taken together, the results reinforce a process-oriented understanding of organizational failure, conceptualizing it not as an abrupt breakdown triggered solely by environmental shocks, but as a gradual accumulation of relational distortions rooted in leaders' psychological tendencies.

From a theoretical standpoint, this study contributes to leadership and organizational behavior research in several ways. First, it integrates psychological bias theory with social exchange theory to explain how leaders' internal cognitive tendencies influence team-level relational outcomes. Second, by positioning TMX as a central mediating mechanism, the study provides a micro-foundational explanation of how individual-level psychological traits scale up to collective relational patterns. Third, it expands the discourse on organizational failure by framing it as an internally generated relational process rather than merely an externally driven structural phenomenon.

Practically, the findings underscore the importance of developing leaders' cognitive self-awareness and reflective capacities. Organizational interventions aimed at preventing failure should not be limited to formal policy changes or surface-level behavioral training; instead, they should incorporate bias-awareness programs, reflective leadership coaching, and relational monitoring systems that help identify early signs of trust erosion. By focusing on underlying cognitive frames that guide everyday interactions, organizations may better prevent the gradual decline of relational capital.

Despite these contributions, several limitations warrant consideration. First, the cross-sectional design limits causal inference and prevents examining the dynamic evolution of psychological traits and relational exchanges over time. Longitudinal and multi-wave studies would provide stronger evidence regarding temporal ordering and causal mechanisms. Second, the empirical data were collected within a single national context (Korea), and cultural norms—such as power distance, collectivism, and hierarchical expectations—may influence how team members interpret psychological traits. Cross-cultural comparisons would therefore enhance generalizability and clarify contextual boundary conditions. Third, although validated instruments and statistical procedures were employed, reliance on self-reported survey data introduces the possibility of common-method bias. Future research could incorporate multiple data sources, behavioral indicators, or experimental designs to strengthen methodological rigor. Finally, while the sample size was adequate for structural modeling, larger and more diverse samples would enhance robustness and permit more complex modeling approaches.

Future research should also explore additional mediating and moderating variables that may shape the relationship between leaders' psychological traits and organizational outcomes. Constructs such as psychological safety, organizational uncertainty, power asymmetry, or team trust climate may clarify

when and how cognitive biases generate either adaptive or dysfunctional relational consequences. Moreover, integrating qualitative approaches may offer deeper insights into how employees interpret and respond to leaders' cognitive tendencies in everyday organizational life.

In sum, this study advances understanding of organizational failure by demonstrating that leaders' internal psychological traits are not merely individual characteristics but relational forces that shape team dynamics and behavioral outcomes. Recognizing and managing these cognitive foundations is essential for sustaining healthy relational exchanges and preventing the gradual emergence of organizational dysfunction.

Acknowledgement

This work was supported by the research grant of Jeju National University in 2024.

References

- [1] W. K. Campbell, A. M. Bonacci, J. Shelton, J. J. Exline, B. J. Bushman, Psychological entitlement: Interpersonal consequences and validation of a self-report measure, *Journal of Personality Assessment*, (2004), Vol. 83, No. 1, pp. 29–45.
DOI: 10.1207/s15327752jpa8301_04
- [2] P. Harvey, M. J. Martinko, An empirical examination of the role of attributions in psychological entitlement and its outcomes, *Journal of Organizational Behavior*, (2009), Vol. 30, No. 4, pp. 459–476.
DOI: 10.1002/job.549
- [3] J. J. Exline, R. F. Baumeister, B. J. Bushman, W. K. Campbell, E. J. Finkel, Too proud to let go: Narcissistic entitlement as a barrier to forgiveness, *Journal of Personality and Social Psychology*, (2004), Vol. 87, No. 6, pp. 894–912.
DOI: 10.1037/0022-3514.87.6.894
- [4] W. K. Campbell, A. S. Goodie, J. D. Foster, Narcissism, confidence, and risk attitude, *Journal of Behavioral Decision Making*, (2004), Vol. 17, No. 4, pp. 297–311.
DOI: 10.1002/bdm.475
- [5] E. W. Morrison, F. J. Milliken, Organizational silence: A barrier to change and development in a pluralistic world, *Academy of Management Review*, (2000), Vol. 25, No. 4, pp. 706–725.
DOI: 10.5465/amr.2000.3707697
- [6] E. J. Langer, The illusion of control, *Journal of Personality and Social Psychology*, (1975), Vol. 32, No. 2, pp. 311–328.
DOI: 10.1037/0022-3514.32.2.311
- [7] L. B. Alloy, L. Y. Abramson, Judgment of contingency in depressed and nondepressed students: Sadder but wiser?, *Journal of Experimental Psychology: General*, (1979), Vol. 108, No. 4, pp. 441–485.
DOI: 10.1037/0096-3445.108.4.441
- [8] C. R. Schwenk, The cognitive perspective on strategic decision making, *Journal of Management Studies*, (1988), Vol. 25, No. 1, pp. 41–55.
DOI: 10.1111/j.1467-6486.1988.tb00021.x
- [9] S. E. Taylor, J. D. Brown, Illusion and well-being: A social psychological perspective on mental health, *Psychological Bulletin*, (1988), Vol. 103, No. 2, pp. 193–210.

DOI: 10.1037/0033-2909.103.2.193

- [10] D. Paulus, G. de Vries, M. Janssen, B. Van de Walle, The influence of cognitive bias on crisis decision-making: Experimental evidence on the comparison of bias effects between crisis decision-maker groups, *International Journal of Disaster Risk Reduction*, (2022), Vol. 82, Article 103379.

DOI: 10.1016/j.ijdr.2022.103379

- [11] C. R. Colvin, J. Block, D. C. Funder, Overly positive self-evaluations and personality: Negative implications for mental health, *Journal of Personality and Social Psychology*, (1995), Vol. 68, No. 6, pp. 1152–1162.

DOI: 10.1037/0022-3514.68.6.1152

- [12] A. Seers, Team–member exchange quality: A new construct for role-making research, *Organizational Behavior and Human Decision Processes*, (1989), Vol. 43, No. 1, pp. 118–135.

DOI: 10.1016/0749-5978(89)90060-5

- [13] G. C. Banks, J. H. Batchelor, A. Seers, E. H. O’Boyle, J. M. Pollack, K. Gower, What does team–member exchange bring to the party? A meta-analytic review of team and leader social exchange. *Journal of Organizational Behavior*, (2014), Vol. 35, No. 2, pp. 273-295.

DOI: 10.1002/job.1885

- [14] C. C. Pinder, K. P. Harlos, Employee silence: Quiescence and acquiescence as responses to perceived injustice, *Research in Personnel and Human Resources Management*, Vol. 20, Emerald Group Publishing, (2001), pp. 331–369.

DOI: 10.1016/S0742-7301(01)20007-3

- [15] F. J. Milliken, E. W. Morrison, P. F. Hewlin, An exploratory study of employee silence: Issues that employees don’t communicate upward and why, *Journal of Management Studies*, (2003), Vol. 40, No. 6, pp. 1453–1476.

DOI: 10.1111/1467-6486.00387

- [16] M. Vakola, D. Bouradas, Antecedents and consequences of organisational silence: An empirical investigation, *Employee Relations*, (2005), Vol. 27, No. 5, pp. 441–458.

DOI: 10.1108/01425450510611997

- [17] H. H. Johnson, E. E. Umphress, To help my supervisor: Identification, moral identity, and unethical pro-supervisor behavior, *Journal of Business Ethics*, (2019), Vol. 159, No. 2, pp. 519–534.

DOI: 10.1007/s10551-018-3836-z

- [18] E. E. Umphress, J. B. Bingham, When employees do bad things for good reasons: Examining unethical pro-organizational behaviors, *Organization Science*, (2011), Vol. 22, No. 3, pp. 621–640.

DOI: 10.1287/orsc.1100.0559

- [19] Z. Cui, K. Zhang, Is political skill always beneficial? The relationship between political skill and unethical pro-supervisor behavior, *Journal of Management & Organization*, (2023), Vol. 31, No. 4, pp. 1737–1754.

DOI: 10.1017/jmo.2023.25

- [20] S. Li, K. Jain, K. Tzini, When supervisor support backfires: The link between perceived supervisor support and unethical pro-supervisor behavior, *Journal of Business Ethics*, (2021), Vol. 179, No. 1, pp. 133–151.

DOI: 10.1007/s10551-021-04797-1

- [21] K. Pearce, What is “quiet quitting”, Johns Hopkins University, The Hub, (2022).

Available from: <https://hub.jhu.edu/2022/09/12/what-is-quiet-quitting/>

- [22] S. Formica, F. Spodera, The Great Resignation and Quiet Quitting paradigm shifts: An overview of current situation and future research directions, *Journal of Hospitality Marketing & Management*, (2022), Vol. 31, No. 8, pp. 899-907.

DOI: 10.1080/19368623.2022.2136601

[23] J. Harter, Is quiet quitting real?, Gallup Inc., (2022).

Available from: <https://www.gallup.com/workplace/398306/quiet-quitting-real.aspx>

[24] A. C. Klotz, M. C. Bolino, When quiet quitting is worse than the real thing, Harvard Business Review, (2022).

Available from: <https://hbr.org/2022/09/when-quiet-quitting-is-worse-than-the-real-thing>

[25] K. T. Kim, H. Lee, Y. W. Sohn, Validation of the Multidimensional Quiet Quitting Scale (MQQS), Korean Journal of Industrial and Organizational Psychology, (2023), Vol. 36, No. 4, pp. 557–583.

DOI: 10.24230/kjiop.v36i4.557-583

[26] Formica. S, Sfodera. F, The great resignation and quiet quitting paradigm shifts: An overview of current situation and future research directions, Journal of hospitality marketing & management, (2022), Vol. 31, No. 4, pp. 899-907. DOI: 10.1080/19368623.2022.2136601