Dimension Diamond Fraud Theory: Why is Ethical Leadership becoming Toxic in Organisations/Institutions?

Introduction

Let me begin by expressing my gratitude to the Vice Principal, Prof Puleng Lenka Bula, Prof SK Ndlovu, Vice Principal: Strategy, Risk and Advisory Services, Prof. NE Makoe, Acting Executive Dean, College of Education (CEDU), Prof. ST Mampane, my respondent, all protocol observed, I greet you all. I appreciate you giving me the chance to deliver my first lecture.

I would like to show my appreciation to the Almighty God, my late father Mancum, my mother Nozimango, my wife Sibongile, my son Ntokozo, my daughter Mpilo and her husband Lucky, my sisters, brothers, nieces, and all other family members, as well as my mentor Prof. VJ Pitsoe, my current and former mentees, colleagues, and friends. Indeed, I appreciate all the support as I embark on this huge and significant moment in my career.

It is well known that "The Zondo Commission" revealed numerous crises with ethical leadership poisoning organisations in South Africa. The world is becoming more conscious of ethics and ethical leadership as a result of the numerous scandals that have occurred in a variety of sectors, such as state-owned corporations and government institutions owing to unethical conduct by those organisations" leaders. It would be wrong to think that because unethical behaviour had been exposed, the golden era of frauds had ended and that organisations had reached a turning point due to democracy and open management. As long as fraudulent actions continue to deplete organisations of resources and offer difficulties for managers and leaders, I contend, ethical leadership is becoming toxic in organisations.

Research Approach

This lecture uses the Dimension Diamond Fraud Theory covered in literature study, by asking, "Why is ethical leadership turning toxic in organisations/institutions?" The review's theoretical foundation for addressing "Why Ethical Leadership is Becoming Toxic in Organizations" is the fraud diamond hypothesis.

Ethical leadership

The exhibition of normatively appropriate behaviour through one's actions and interpersonal interactions, as well as the encouragement of such behaviour to followers through two-way communication, reinforcement, and decision-making, are all components of ethical leadership (Argyropoulou & Spyridakis, 2022). Mihelic, Lipicnik, and Tekavcic (2010) agree with Argyropoulou and Spyridakis, 2022, that ethical leadership entails acting fairly, considering the welfare of others, and considering the effects of one's actions (Mihelic, Lipicnik, & Tekavcic, 2010).

A code of conduct, a good institution or organisation, or a plethora of good intentions do not automatically translate into ethical leadership. It is a decision made by an individual, or rather a sequence of decisions, that result from the intricate interaction of internal values and external societal pressures (McQuade, 2022). Honesty, generosity, fairness, and respect must all be regulated behaviours under ethical leadership.

Leaders who uphold ethics must act in a way that benefits others and refrain from bad behaviour. These leaders need to uphold morality in all of their behaviours, attitudes, and values. They have a responsibility to lead by moral example. They must go beyond simply being trustworthy, disciplined, and fair leaders. They must promote moral behaviour among their supporters by outlining moral values and goals, providing moral guidance, and holding employees accountable for their good and bad deeds as supporters. They should resist temptations and serve as moral role models for their followers. Collective motivation, honesty, empowerment, and selflessness are traits of ethical leadership that are often seen as essential to effective leadership in organisations (Ejaz, Anjum, 2022).

People of character who work to change the unacceptable habits can help to tackle the problem of toxic workplaces (Grace, 2022). In order to prevent organisational politics and lower the likelihood that someone would become a victim of workplace bullying, the leader's ethical leadership is crucial in fostering a supportive and ethical workplace culture (Tiamboonprasert & Charoensukmongkol, 2022). Employees that are dealing with extreme unfavourable working conditions and job uncertainty need ethical leadership behaviour. By acting fairly and openly in their decision-making, ethical leaders are expected to encourage proper workplace behaviour. Employees may regard organisational regulations and processes as just and legitimate when leaders act ethically, to help relieve concerns about the instability of their jobs and working circumstances. The role of ethical leaders in organisations or institutions is to act as reliable information sources to increase the accountability and predictability of organisational actions. This will help employees deal with uncertainty about their jobs. With significant task and emotional resources, ethical leadership behaviour can also lower employees' negative feelings and attitudes, if they care about employees'

personal struggles and give them fair opportunity. This may also help them make meaningful contributions at work (Lee, Hur, & Shin, 2022).

Organizations/institutions are becoming poisonous because of unethical leaders

Leadership that is destructive doesn't happen by accident. There is a TOXIC TRIANGLE consisting of the leader, the follower, and the environment. This triangle must exist for unethical and toxic leadership to flourish. Dominance, force, intimidation, coercion, and manipulation are examples of destructive leadership. On the other side, influence, persuasion, and commitment are traits of constructive and ethical leadership. Selfishness by toxic leaders in organisations serves as an example of destructive leadership (Cushman, 2022).

According to Baloyi (2020), leadership is one of the most important function in life and should provide organisations or institutions with a competitive edge. It is believed that leadership is the process by which a leader motivates followers to work together to accomplish the organisation's objectives. Because of the toxicity at their jobs, people who work in toxic settings frequently have little to no choice, but to lose energy and become demoralised. An example is the tale of bosses who make fun of their workers in public, subject them to emotional and physical suffering, and encourage rivalry among workers while they are still considered co-workers.

A poll of 14,000 employees and 800 managers concluded that the repercussions of workplace disrespect on people have grave consequences. Employees who worked in toxic settings reported exerting less effort, spending less time at work, and producing lower-quality work. Employee personality changes as a result of stressful

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workplace relationships, are the most alarming effect of workplace rudeness. People may alter their beliefs during traumatic circumstances as a result of uncertainty, anxiety, and difficult choices (Grace 2022).

The following behaviours are displayed by toxic leaders, specifically:

In addition to demoralising, intimidating, and engaging in unethical behaviour, toxic leaders also intentionally feed their followers illusions that increase the leader's power. They limit the followers' ability to act; play to their most basic fears and needs; identify scapegoats and encourage others to criticise followers, while improperly clinging to power (Drucker and Ito 2005: 2-4). According to Aubrey (2012), toxic leaders damage the culture and climate of their organisations over time. They enjoy putting others down in order to succeed. Additionally, they desire to show off their power and superiority over their subordinates (Tavanti, 2011).

Toxic leaders exhibit bad leadership traits such as dishonesty, unfair treatment of followers, lack of support for followers, distorting or withholding information, disloyalty, authoritarian behaviour, personal attacks on followers, being unapproachable, and acting heartlessly and insensitively. Typically, toxic managers intimidate and threaten their workforce to put them under pressure. By driving goals and ignoring rules, they are likely to affect policies. They don't take responsibility for their acts, communicate poorly, and don't acknowledge or encourage staff members (Schilling, 2009). Individuals, when faced with potentially dangerous conditions, they have a tendency to withdraw their efforts and involvement at work in an effort to reclaim their own independence. Employees could unwittingly lower their participation in order to reclaim their own liberty as a result of witnessing their superiors' abusive behaviour (Xia, Zhang & Li, 2019).

The toxic effects of unethical leadership in organisations

The Fraud Diamond Theory identifies the following four elements/factors that cause moral leaders to become toxic leaders in organisations (Wolfe, Dana, & Hermanson, 2004):

- ❖ **The Incentive:** They can be motivated by a need or a desire to deceive others in order to become toxic.
- ❖ **The Opportunity:** They might identify a systemic flaw in the organisation and take advantage of it. For example, they see the potential for fraud.
- ❖ **The Rationalisation:** They may persuade themselves that the risks involved in their dishonest behaviour are justified.
- ❖ **The Capability:** They possess the qualities and skills required to be the most suitable candidate to pull it off. They might see the chance for fraud and be able to make it happen in their organizations.

According to Widnyana and Widyawati (2022), organisations need to manage the fraud diamond's elements. Leaders who have personally faced injustice and violations are more likely to treat their followers badly. A "trickle-down" phenomena, in which pressure and tension "flow" from one level to the next, is linked to negative leadership and organisational and supervisory strain (Schilling 2009). A toxic boss, according to Reed (2004), intimidates and threatens. The toxic leadership syndrome has three main components, namely:

- ❖ A seeming lack of care for subordinates' welfare.
- ❖ A personality trait or interpersonal technique that has a negative impact on the culture of an organisation; and
- ❖ The followers belief that the leader's motivations are essentially selfish.

Wilson-Starks (2003) believes that a toxic leadership style hurts both the organisation and its members over time. People who more completely use their mental resources, critical thinking, and questioning skills are excluded from decision-making and positions of influence in a toxic leadership environment. Those who are rewarded are the people agreeing with the boss, while others are punished for having an opposing opinion (Wilson-Starks 2003).

One of the most difficult problems affecting organisations and institutions in the majority of the world's nations, is fraud. Institutions as organisations, and people as workers with leadership responsibilities, may be subject to accusations of fraud or corruption. Fraud indicates that corruption may occur as a result of insufficient professionalisation of the bureaucracy in institutions, a lack of oversight and control mechanisms, a lack of openness and accountability, and other factors (Rustiarini, Sutrisno, Nurkholis, & Andayani, 2019). According to Ratmonoo and Frendy (2022), managing fraud continues to be a major concern for organisations all around the world. Organisational and institutional fraud is driven by opportunities, inducements or pressure, justifications, and capacity to commit fraud, with capacity being the determining element (Avortri & Agbanyo 2020).

Because personnel working in these institutions are more likely to be exposed to fraud, there are risk factors that could motivate them to commit fraud. Therefore, institutions are more susceptible to the risk of fraud. White-collar crimes in organisations may result from ethical leaders turning toxic, damaging public trust in the organisations and posing systemic dangers to the efficient operation of the organisations. The pressure that leads to fraud might come from within the individual, the organisation, the workplace, or from the outside.

According to Hart, Coate, et al. (2022), the motivation for committing fraud is inducement or pressure. Some situations encourage or make it necessary for people to engage in fraud rather than control it. Incentives take into account an employee's mentality to motivate behaviours that lead them to avoid managing fraud.

Personal issues like the cost of marriage, divorce, medical expenses, and other issues like unmanaged debt and greed can put a strain on finances. Some organisational leaders may be fixated on power and terrified of changing their lifestyle and losing their social position. In the context of an organisation, pressure is present when a leader instructs subordinates to engage in unethical behaviour (obedience pressure). For instance, the Integrity Survey results from 2008-2009 revealed that 59% of managers and employees felt pressured to do whatever it took to meet their goals; 52% of managers and employees think they will be rewarded if they achieve their goals; and 49% of managers and employees worry about losing their jobs if they don't (Rustiarin, Sutrisno, Nurkholis, & Andayani, 2008). (2019).

Occupational pressure is a type of pressure that is frequently present in the workplace and challenging to avoid. The internal organisation or outside parties who are still connected to the organisation are the sources of this pressure. While external pressure comes from high ranked members who hold power, internal pressure comes from leaders acting as superiors. When internal organisations put pressure on individuals, leaders of the organisation may manufacture fraud and drive it from the top down using potent tools like approval to authority. Employees will be forced to choose between refusing the leader's orders and doing so can result in fraudulent

behaviour. If the employee does not follow such unlawful directive, they risk being terminated or changed (Rustiarin, Sutrisno, et al. 2019).

The opportunity in an organisation is **the absence of structure and governance** that would regulate how operations are managed and how assets are used. Where an effective structure exists, there is a chance, fraud won't happen, because the person will be under a lot of pressure to do it (Deliana et al. 2022). Lack of organisational structure, poor monitoring, and the character of the organisation are the three components that make up the opportunity factor (Deliana et al (2022). These flaws are the main factors that lead to fraud in internal control.

Managerial rationalisation or attitude may be used to justify deception with the goal of outsmarting rivals or reaping financial rewards. It is a defense that someone who cannot handle fraud can use it to justify accepting to conduct fraud. Deliana et al. (2022) discovered that individuals who engage in fraud within organisations will defend their unethical actions and claim that committing fraud is a fair course of action.

The ability to conduct fraud is a matter of the knowledge, self-assurance, and position the manager as an individual possesses. The ability is connected to intelligence, and the authoritative position allows the holder to take advantage of internal weaknesses under pressure, by rationalising (Deliana et al (2022). According to the concept of capability, six factors, enable people to commit fraud (Rustiarin, Sutrisno, et al. 2019).

These include:

- ❖ Key position/function,
- ❖ Intellectual capacity,
- ❖ Confidence/ego,

- ❖ Effective misrepresentation,

- ❖ Immunity to stress and guilt, and

- ❖ Coercive ability.

Allegations of state capture, corruption, fraud, and irregularities relating to tenders in organisations like the South African Airports Company, South African Airways Technical, and South African Express; Bosasa, Denel, Estina, Prasa, SABC, SARS, State Security Agency, and Transnet, were among the examples of unethical behaviour covered in the evidence presented before the Zondo Commission. The Zondo Commission's evidence showed how unethical leadership can poison an organisation, and higher education institutions are not exempt.

According to Omnguez-Escrig, Broc, Chiva, and Alcam (2021), organisations should have genuine leaders who can foster open communication, transparency, and strong bonds. By encouraging knowledge sharing, leaders should display their actual selves, and not hide information or keep their opinions to themselves. Genuine leaders promote relationships amongst equals and are able to inspire engagement and communication from all team members. Due to their consideration of others' perspectives, these leaders may encourage collaborative decision-making. When making decisions, they consider as much pertinent information as they can and seek out opinions that contradict their own beliefs.

When ethical leaders are becoming toxic, they will communicate with employees in the following:

- ❖ ''Don't bring me problems bring me solutions'';

- ❖ ''Every time you are late for work you will lose one hour's pay'';

- ❖ ''Have the completed work on my desk by 4 o'clock'';

❖ ''You are expected to be at your office or desk at all times except during designated tea and lunch times''(Fourie, 2007).

Conclusion

In this talk, I made the case that organisational leaders should work to improve the ethical climate among their workforce by pursuing ethical leadership. Theoretically, harsher fines can limit fraud and unethical behaviour in organisations; however, dishonest leaders and managers who hold influential positions typically demand bigger bribes. Institutions should set up a method for reporting misconduct that is free from institutional control, by ensuring confidentiality, and offering protection.

By taking initiative, ethical leaders may help reduce toxic leadership in organisations. To make their ideas a reality and demonstrate to followers how things can be done, they must take the initial step. These leaders need to be visionary. This means they need to have goals and strategies for where they want to take their organisations. They must be able to communicate with members of their team. They should inform team members of their decisions rather than forcing decisions upon them. When leaders and their teams communicate, trust and confidence are increased. Leaders should consider all relevant factors before making judgments. They ought to enforce their influence by persuasion rather than by pressure. They must be creative in coming up with new solutions to challenges, taking chances to support organisations in minimising toxic inclinations. Leaders should have morals and integrity because they hold positions of authority. They ought to be reliable. They should figure out better ways for group members to acknowledge their mistakes and take constructive action. Instead of traumatising and mocking employees, toxic leaders must recognise their

shortcomings and eliminate them if they want to prevent their organisations from becoming toxic (Labhane, 2020).

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