

# RISKREVIEW

*The latest Enterprise Risk Management world news and views*



## FRAUD RISK - BAD LEADERS INCREASE FRAUD CHANCES

Give an organization bad leaders, and chances are fraud and malpractice would pile up. “Bad leaders” are people in C-suite positions in the workplace who are abusive, incompetent, ineffective, and insecure.

Bad leadership, if kept uncultivated, could lead to a corporate culture of disengagement. With time, disengagement will produce detachment which in turn procreates both low productivity and substandard performance. To remedy these disengagements, these leaders turn their attention toward what looks like to them as the root cause of the unacceptable low productivity and quality of work by their employees.



# FRAUD PREVENTION

They hire the handpicked training houses and engage with the most expensive consulting firms to decipher why their employees produce bad results. As soon as the training concludes and the fancy PowerPoint presentations of the consultants are handed in and paid for, these leaders still see no change in the “culture.”

In a report titled “State of The American Workplace Report” by Gallup, the report found that 78% of the employees find their C-Suite leaders have no clear direction for the organization, and 85% of employees strongly do not agree with the statement: “Leadership of the organization makes them enthusiastic about the future.” And only 20% of the surveyed employees thought that their performance is managed in a way that motivates them to work more, I.e., 80% do not believe that their firms manage their performance in a way that leads them to do an outstanding job.

This report tells us that it is not only the fault of employees for the mediocre results. Bad leaders share the blame.

The C-suite leaders have responsibilities to deter fraud and unintentional malpractices. The Boards of directors approved hiring these C-Suite leaders not to isolate themselves on the fanciest and luxurious floor. They are in these leadership positions to connect personally, to build trust and confidence about and toward the organization, promote a sense of fairness and justice, listen effectively, read, be humble to learn, and communicate honestly & respectfully, etc.

Failure of the C-Suite leadership to engage employees and build confidence could result in the following undesired outcomes :

- I. Internal fraud
  - II. Assets misappropriation
  - III. The quality of services given to customers at front and back offices is substandard
  - IV. Low productivity
- Corruption: bribes, kickbacks, etc.

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