CEO WRONGDOING: A REVIEW OF FRAUD DIAMOND THEORY

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DOI: https://doi.org/10.57233/ijamer.v2i3.02

Article History: Received: 3 August 2026 | **Revised:** 27 August 2026 | **Accepted:** 4 September 2026 | **Published:** 25 September 2026

How to Cite This Article
Ashafoke, T., Jolayemi, F. A., & Udemmadu, C.G. (2026) (2026). CEO wrongdoing: A review of fraud diamond theory. *International Journal of Accounting, Management and Economic Review, 2*(3). https://doi.org/10.57233/ijamer.v2i3.02

Abstract
This paper reviews CEO wrongdoing based on Fraud Diamond Theory exploring how pressure, opportunity, rationalisation, and capability can intersect to explain the occurrence of the highest leadership levels in a corporation performing such unethical behavior. While academic fraud literature largely uses the Fraud Triangle and Fraud Diamond theory to analyze corporate and financial fraud, there is limited research dedicated on the individual role of the Fraud Diamond dimensions in explaining CEO wrongdoing, where the uniquely possessing role of executives' authority, top managers' strategic knowledge, information advantage over outsiders, and the ability of overriding the organisational controls may differentiate CEOs from other individuals prone to commit such illegal activities. This omission is substantial as executive misconduct is beyond ordinary financial misstatement, as it can lead to earnings management, corruption, insider trading, regulatory breaches, abuse of position and privilege, ESG misrepresentation, and digitally based criminal activities. Therefore, this research presents a conceptual research design using a qualitative literature review of published journal articles, corporate governance books, theoretical works, industry reports, company white papers, and other reliable sources relating to CEO wrongdoing, corporate fraud, Fraud Triangle, Fraud Diamond, and corporate governance. In conducting the study, the research conceptualizes CEO wrongdoing as an intentional ethical or illegal act committed by the chief executive officers, for personal gain, organisational gains, or other assumed gains. This research based on conceptual conceptual analyses concludes that pressure arises from demands placed on performance, compensation system, personal careers, and stakeholders; opportunity arises from the lack of effective internal control structure, board failure, informational asymmetries, and the centralization of executive authority; rationalisation allows executives to morally justify their deviant behaviour and capability allows the chief executive officers to make use of their knowledge, skill, personal

ability, authority, and position to act, execute, cover and perpetuate their misconduct. This study proposes that the Fraud Diamond theory (Sewell 1980 and Zwick 2007) offers a conceptually strong theory than the Fraud Triangle for explain CEO misconduct, because it places the ability as unique dimension in understanding executive malfeasance. This paper makes an academic contribution by expanding the application of the Fraud Diamond from the general level of corporate fraud to the specific explanation of CEO wrongdoing by integrating executive power, governance failure and controls override under a holistic framework. Policy recommendations to reduce executive wrong doing include strengthening board independence and monitoring, installing of robust control system and internal auditing, establishing of vigilant whistle-blowing mechanisms, increased regulatory enforcement, revise executive renumeration systems, and promotion of ethical organisational culture.

Keywords: CEO wrongdoing, corporate governance, executive misconduct, fraud, fraud diamond theory.

1.0 Introduction

CEO misconduct has become a major problem in the governance of organisations, not only because chief executive officers can cause extensive damage in the financial sense, but because the role they occupy confers on them unique abilities to shape the conditions in which they might develop an inclination to engage in misconduct, implement such behaviour, and cover it up. Unlike more junior employees who face limited decision-making authority and monitoring, CEO's are positioned at the apex of decision-making processes and have the power to influence how financial information is reported, controls are constructed, management and board members are appointed, business strategies are devised and how the organisation interacts with external constituents and stakeholders (e.g., boards, investors). Therefore, we cannot simply treat the issue of CEO wrongdoing as the same behaviour as ordinary employee fraud happening at higher levels in organisations; the organisational position, coupled with the access, control, and influence that come with the role of CEO, may materially impact the relationship between motive, opportunity, and control against such behavior. It begs an important theoretical question: can existing theoretical approaches to fraud explain sufficiently well why CEO's in particular, can use their organizational position, authority and knowledge, to convert pressure and opportunity to complex forms of misconduct within their organisations? This body of literature distinguishes CEO wrong doing from other employee based fraud in terms of the mechanisms and organisation of control and management, and highlights both personal agency of CEOs and environmental factors that facilitate CEO misconduct (Zhu & LI, 2021).

CEO misconduct can take a number of forms, including the manipulation of financial statements, earnings management, corruption, bribery, insider trading, market manipulation, the avoidance of taxes and regulations, embezzlement, the misuse of company power or authority, the abuse of corporate information, etc. (Schnatterly et al. 2018). These forms of fraud are diverse and their definition is in and of itself a problem in accounting and criminology research. Traditional fraud explanations have focused primarily on explaining how fraud comes about by describing some individual circumstances that give rise to pressure, opportunity, and rationalization. Such explanations are useful for many situations in which a general level employee is the perpetrator; for example, one or two individuals can, acting alone, and with a little insight into the operation of their company, construct an accounting scheme to defraud the company.

Nevertheless, this framework fails to explain satisfactorily how a particular type of such accounting Fraud or other kind of fraud works, if the agent responsible is a CEO. The individual CEO may not have just identified some gap, or some loophole in internal controls in his organisation. The CEO may have a very real ability to shape internal controls and overall organisation, such as influence subordinate staff, change internal audit plan, alter board

dynamics, influence outside stakeholder opinions and influence audit procedures; and a range of factors contributing to opportunity for fraud. The question raised now would be not why an executive wants to commit fraud, but why an executive can do so and maintain the ability to prevent it? The CEO role may make opportunity for the individual more readily available, enable it to persist and make covering it up much easier. This is significant because the damage caused by executive wrongdoing is usually much more far-ranging than that resulting from fraud committed by an individual within the organization. As was noted, corporate governance and executive wrong doing have been seen to have wide-ranging affects on the financial performance of companies, employee morale, reputation of the business and its position vis-a vis regulation. The Association of Certified Fraud Examiners (ACFE) reports a similar view: that fraud by owners and executives resulted in nearly $400,000 of additional in financial losses compared to other employee based fraud. There appear to be number of individual characteristic that, may explain these large losses (i.e. Personal motives, ego, or experience in fraud) in addition to personal resources and organizational positions of executives. If it is true that CEOs can use these individual characteristics and personal resources and organizational position to influence other employees of an organization, to change information systems, to ignore control mechanisms, and to interfere with monitoring procedures, then a thorough account of CEO wrongdoing needs to move beyond identifying external preconditions and consider individual characteristics that enable these conditions to be exploited.

The issue seems to be even more complicated as contemporary CEO misconduct spans beyond conventional financial fraud; contemporary organizations are surrounded by digital technologies, complex corporate ownership, international operations, advanced financial instruments, and sophisticated corporate social responsibility reporting. These conditions offer opportunities for innovation, innovation in crime, or creative way for corporate misconduct that covers many areas such as manipulation with financial data in reporting, creating and concealing of criminal activities, environmental impact misstatement, or any misstatement on corporate sustainability index (PwC, 2024). So, traditional explanation approaches may be obsolete, in that new form of corporate wrongdoing will emerge at top levels. Any approach attempting to explain such misconduct must consider not only the causes that lead to pressure, opportunity and rationalization, but also characteristics of perpetrators that lead to transforming opportunity to misconduct.

One of the seminal explanations of fraudulent behaviour has been the Fraud Triangle Theory, proposed by Cressey (1953) based on his analysis of cases of embezzlement, which suggests that, under pressure, in an opportunity available to commit the offense and a rationalization to justify the crime, that one will commit fraud. So fraud would occur when an individual encountered the condition of the Fraud Triangle. So the theory is powerful due to its ability to draw attention from the criminal act to the circumstances that bring about an offense. However, the explanatory limitation of the Fraud Triangle becomes more noticeable when used in explanation ofCEO and top executive crime/wrongdoing. While theFraud Triangle explains why somebody is under pressure, and why an organization may providesuch opportunities, and rationalizing the misconduct, it has a comparatively limited perspective on the capacity of an individualto pursue the opportunityand succeed in executing andcovering up The Fraud Triangle doesn't discriminate between those who merely seize an opportunity, to those that have ability to exploit opportunity and create the means for other's to do so.

This may be less problematic if one were studying an ‘ordinary’ crime in that an individual has limits in terms of knowledge, skills, and time in and of himself/herself but it is, of course highly problematic if that individual is a chief executive officer (CEO) that might hold numerous influential positions that allow access to important information and enable them to control and influence subordinates who will act at their direction. It is also possible that two CEOs might face similar business and personal pressures, as well as similar control weaknesses and similar rationalization ability, yet differ only in terms of their organisational influence and personal ability to achieve their desired fraudulent goals.

The Fraud Triangle doesn't account for such differences. One attempt to correct for this omission is Wolfe and Hermanson (2004) as they add 'capability' into the triangle, producing the 'Fraud Diamond' - the notion being that pressure, opportunity, and rationalization may lead to fraud, but it is only when 'capability' is added as a4th element that Fraud will take place.capability encompasses the characteristics or attribute that individuals possess enabling them to identify and exploit an opportunity. Capability means that the person has experience or training, knowledge, good communication skills, persuasiveness, an analytical capability, the ability to control over subordinate employees, and has strong leadership and position authority to be able to carry out and to cover up any of this misconduct. It adds a new theoretical dimension by shifting emphasis from explaining how conditions occur to explaining the capacity of an individual to exploit these conditions and to successfully commit and conceal the act. This capability is particularly salient in the case of CEOs, who naturally possess such attributes, from formal authority and expertise to influence over employees, internal controls, and external parties such as the financial markets and regulatory authorities. In this context, capabiliy not merely one of many individual features of potential frauds, it is a necessary condition for CEOs’ capacity to convert the others conditions into actual wrong doing.

This produces an interesting theoretical tension within the extant literature. If authority itself enables the production of opportunity, weaker monitoring and deception, can opportunity and capability really be unrelated constructs? There may be many contexts in which a CEO can use their authority to create opportunity, have the knowledge to develop the opportunity and also has power that allows subordinates not to question a doubtful proposal. It is the CEO's position which leads to the opportunity but his or her capability, which should be distinguished from executive's position or position-based power, which ensures that that opportunity is actually executed. The Fraud Diamond is therefore a promising tool which appears to bring an authority or capability feature into explanations of CEO fraud but simply inserting the construct of "capability" into an explanation of the Fraud Triangle would be an insufficient approach.

In addition to the conceptual tension, the distinction is vital because CEO misconduct is not exclusively motivation driven by personal financial pressure. Pressure felt by CEO's comes from many sources such as, unmet expectations, rewards structures, shareholders, career aspirations, competitive rivals and the need for organizational stability; all of which might tempt the executive to engage in fraudulent behavior if legitimate performance cannot be met (Vousinas, 2019; Kassem & Higson, 2023). However even so there appears to be no explanation of why the executive responds through fraud in particular scenarios. Similarly weakly supervised boards or information asymmetry cannot automatically cause an executive to commit fraud. We are therefore interested in whether the CEO can recognize and exploit the presence of these variables.

Again, this is particularly concerning in respect of the executive's interpretation of their own conduct. Wrongdoing by chief executives may not, necessarily, be viewed as simply fraud per se. However the misdeed may be presented, through individual and executive power, as a necessary evil in order to protect the organization or meet shareholder's desires; perhaps to keep their job, satisfy market expectations, continue reaching targets or to even right a personal wrong. And the interpretation is often imposed.

Unfortunately, despite how salient and important these points seem in accounting and finance literature, the connection between the four Fraud Diamond dimensions has not always been fully assimilated into a holistic theoretical explanation of CEO misbehavior. While particular accounts of executive misconduct, such as individual or collective wrongdoing including fraudulent financial statement misstatements, earning management or corporate crime, corruption and so on have individually contributed to a knowledge base about executive wrongdoing, most have yet to fit under an umbrella theoretical construct. While concepts like the Fraud Triangle which include three of the Fraud Diamond principles seem to enjoy extensive use among accountants to explain the perpetration of fraud and the risk associated thereof, it is usually in the contexts of opportunity, rationalization, and pressure while placing significantly less credence on capability. It is important not to downplay the significance and the theoretical role of the Fraud Diamond since it specifically considers capability which may truly set CEO misconduct aside from typical professional or occupation occupation occupational fraud.

The gap is then, not just "a need for more research", but a theoretical gap; the relationship between how an individual fits into their organization structure to produce wrongful behavior is lacking comprehensive analysis and has not adequately accounted for the way that opportunity becomes enabled, monitored and concealed by these factors interacting with one another in respect of the CEO. Moreover, the four factors have failed to adequately accommodate how modern forms of CEO wrongdoings including those occurring through electronically operated structures such as with regard to ESG issues; as well as a variety of other types of manipulation, manipulation and illegal activity. Here we explore why these differences could mean that Fraud Diamond should be used for individual executive actions. The CEO may not only have the intention of exploiting opportunities through the use of their abilities but has the power to create these, possess internal knowledge and understanding which is superior to the monitoring function (and subordinates); and also the ability to prevent the exposure and identification of the misconduct.

This gap in theoretical perspective opens up the study to an application of the Fraud Diamond theory to executive wrongdoing. The intention of this paper is to postulate that the application of the Fraud Diamond into the executive realm has greater potential to explain CEO wrongdoing than explanations that solely rest on the premises of the Fraud Triangle by virtue of its allowance of capability. In specific circumstances, it can be shown that CEO authority directly leads to ability to transform opportunity into action: this is especially prevalent with regard to information asymmetries where access is controlled and only the CEO may possess legitimate knowledge of the truth. In these cases there is a merging or interplay between authority and individual capability. CEO misbehavior is conceptually unique in that an individual might lack authority or opportunity yet have other reasons to be inclined to behave fraudulently. However, unlike standard occupational fraud, there is the possibility of authority allowing them to be in a unique position of creating rather than just finding an opportunity, hence augmenting the relevance of capability. Thus, I approach this not by simply including capability within a Fraud

Triangle explanation, but critically assessing whether and how its inclusion within the Fraud Diamond may assist in creating an appropriate theoretical explanation for unique aspects of executive wrongdoing.

Therefore, this conceptual paper examines CEO wrongdoing through the lens of Fraud Diamond Theory. Specifically, it analyzes critically how pressure, opportunity, rationalization, and capability interact when considering how executives perpetrate fraud, and whether the use of these four concepts within the Fraud Diamond structure is a more complete explanation of why CEOs can engage in white-collar criminal behavior than the use of the original Fraud Triangle construct. It will then consider the implications of each of the Fraud Diamond constructs on corporate governance and how this might be used to deter executive wrongdoing. The method employed is descriptive analysis; the sources employed being scholarly articles, reports from organizations such as the ACFE and other credible credible secondary information in the realm of CEO corruption, occupational fraud, Fraud Triangle Theory and Fraud Diamond Theory and corporate governance.

This article adds to the literature in two intertwined dimensions. One, it provides a further application of the Fraud Diamond Theory, taking it from more general forms of corporate and occupational crime to include executive white-collar crime where it can be seen to be exceptionally applicable due to the higher access to resources, power and control inherent to their position. Secondly, this paper provides an argument based on an individual perspective for why the Fraud Diamond model and the capability dimension itself may be particularly applicable because it suggests that an executive's position of power within the organization not only gives them control of systems of internal control but also means that they can exploit inherent weaknesses, both through their own skills/knowledge (individual capability) and through position/control (organizational capability) in ways an employee might not be able. The purpose is to move explanations of executive crime past purely event driven accounts, toward a better understanding of why it occurs, who the main actors involved appear to be and why conventional controls seem to fail to address this anomaly.

2.0 Literature Review

The purpose of this chapter is to provide an in-depth, critical review of the academic literature on CEO wrongdoings from the conceptual framework of Fraud Diamond Theory. This will begin by looking at the conceptual and theoretical issues relating to CEO wrongdoings by reviewing the concepts of pressure, opportunity, rationalisation and capability. The review explores if these four concepts are sufficient to explain wrongdoing at the CEO level and considers alternative explanations of executive wrongdoing, identifying various antecedents to misconduct.

In particular, the chapter discusses the influence of factors including;CEO authority, performance pressure, executive incentives, ineffective corporate governance (via a poor board of directors), information asymmetry, and poor internal control systems, in fostering CEO wrongdoing.

Contemporary conceptual and empirical literature, both supporting and opposing the value of Fraud Diamond Theory in explaining wrongdoing, will then be reviewed and integrated in light of any weaknesses or shortcomings within the Theory, focusing on its handling of CEO capability and its capacity to explain wrongdoing conducted by powerful CEOs who can circumvent established controls and manipulate corporate governance processes. This chapter

serves as the critical foundation for considering the applicability of Fraud Diamond Theory as a complete explanation for CEO wrongdoing.

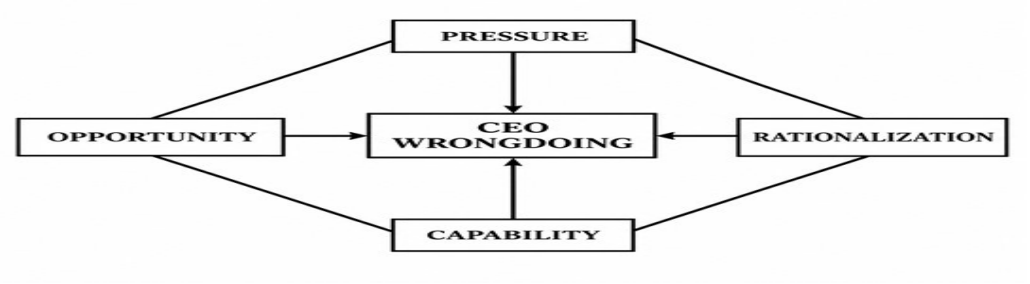
The Fraud Diamond Theory

Extending Cressey's (1953) Fraud Triangle Theory, Wolfe and Hermanson (2004) propose The Fraud Diamond Theory. They argued that while pressure, opportunity and rationalization are present in organizational fraud, they may fail to account for why organisational fraud occurs because in addition to meeting the criteria of opportunity, pressure and rationalization the individual must also have the ability to recognize opportunities, commit fraud and conceal their action. By expanding the Fraud Triangle of pressure, opportunity and rationalisation with capability, The Fraud Diamond implies that the presence of pressure, opportunity and rationalization doesn't necessarily result in fraud, unless they have the ability.

This theory states that pressure, opportunity, rationalization, and ability all increase the probability of fraudulent behaviour. The inclusion of capability has significance particularly in the instance of the chief executive officer's wrongdoing since they are armed with ultimate command, intricate knowledge of organizations and access to confidential, and confidential information and their access is also influence the working of the organisation. Despite its effectiveness, it must be noted that one should avoid drawing conclusion that capability automatically puts The Fraud Diamond over The Fraud Triangle on each aspect. Rather, in the absence of other aspects for explanations capability's impact might be limited, in some other scenario capability might seem overlapped with the concept of opportunity by way that executive command can simultaneously serve opportunity and ability to grasp the opportunity.

Over two decades, Fraud Diamond Theory is now prominently acknowledged and discussed in accounting, audit, Forensic accounting and corporate governance literature, as the concept may have greater explanatory power in cases of executive wrongdoing where ability together with skills and positional power provide additional explanations over that of pressure, opportunity, rationalization (Vousinas, 2019; Kassem & Higson, 2023). With increase in complexity of corporate wrong doing such as accounting anomalies, e-crime, eco-fraud and organizational culture failure, their impact are significant due to considerable amount of authority, sophisticated skills required along with ample resources as means of support; capability has more reason to be relevant to the study with regard to its contribution beyond traditional aspects of fraud theories.

Further evidence supporting the relevance of capability can be seen through fraud loss by executives/owner, as found by the Association of Certified Fraud Examiners (ACFE, 2024); mean loss resulting from this group is much higher ($900,000) compared to manager ($150,000) or employee ($60,000) fraud. It therefore shows that position, command and expertise executives wield have to contribute in carrying out major harm and maintaining silence with regard to these offenses but the study does not prove that the act of wrongdoing is carried out due to individual's capacity; rather it shows the enhanced effects of other two fraud conditions if capability is combined with them. Therefore, while assessing the CEO's wrongdoing, Fraud Diamond provides a practical framework that looks into CEO's personal attribute and organization's structure in form of authority, expertise, capacity and influence which leads the CEO's to seize opportunities to override controls and hide offenses, in combination with pressure, opportunity and rationalisation with corporate governance perspective focusing on executive incentive, power and control structure.



Fraud Diamond Theory Schematic Diagram

Pressure

Pressure represents the motivative condition under which an individual may be tempted into fraud. Originating in Cressey's (1953) Fraud Triangle, it was retained by Wolfe and Hermanson (2004) when developing the Fraud Diamond Theory. Cressey (1953) has suggested that an individual may take up fraud as it serves to reduce perceived needs that cannot otherwise be alleviated. Such claims cannot be easily applied to chief executive officers, as executive pressure does not equate simply to financial pressure, with executives facing a diverse range of pressure, arising from investors, shareholders, organizations, executives themselves, and even financial markets and regulator and creditor expectations that stem from an accumulation of financial pressures, job, status and professional pressures (Schnatterly et al., 2018).

Another significant source of pressure for CEOs is performance expectations. Many listed organizations and public companies require their CEOs to hit targets or be perceived as being competitive through earnings, revenue growth, equity return, asset return and stock prices. A consistent demand to generate earnings growth may mean that earnings are artificially created through the inflation of assets and liability write-offs or through an improper delay of expenditure recognition or asset sales. For CEOs, performance pressures represent a contextual risk factor linked to their involvement in an organization (Schnatterly et al., 2018), and as supported by Yusuf et al. (2016), pressure can positively relate to wrongdoing when considering the Fraud Diamond framework if the institutional context is appropriate.

The assumptions that performance pressure is capable of inducing CEO wrongdoing are somewhat questionable since executives consistently report high work pressure but a large majority do not commit fraud. There seems to be an inherent logic that pressure rather represents a situation where fraud can arise, although it does not seem to suggest that it does. Similarly, an event of performance failure may either lead to an executive's reform, to cut or to restyle the business or in some cases may provide the impetus for the generation of artificial financial reports (Yusuf, 2017), pressure therefore offers a greater extent of explanation once we know all of the other elements of the Fraud Diamond and as a result, represents only one portion of explanation in so much as we cannot say why only certain CEOs would feel pressure yet others do not.

The relationship between pressure and wrongdoing is complicated by executive compensation systems, by which salaries and a mix of incentive pay like options or performance-related pay will reward behavior that satisfies the executives' financial needs in response to perceived pressure, but can alternatively increase managerial incentive for a particular manipulation as that reward is often closely tied to the earnings per share, and even share prices in the context of the

stock market. Executives can benefit from having a sense of an enabling factor of wrongdoing, which is shown through those pressures faced as demonstrated by Schnatterly et al. (2018), but incentive in general should not itself be assumed to be the source of the fraud itself since it can increase motivation for performance.

Capital market pressure too may serve to exacerbate pressures faced by CEOs, with performance evaluations constantly being issued by the investment community through analysts, shareholders and the media. As noted, when this pressure fails to drive the level of CEO performance required, managers will be forced to manipulate accounting to restore this target for the sake of their personal careers, status and remuneration in addition to their organisation itself. Once again, however, the explanation for why some executives might be under pressure, compared with some who are not, fails to support a simple causal analysis of pressure's impact. It has also been shown that this level of market pressure is not specific to unethical managers but experienced by almost all leaders of public organizations (Schnatterly et al., 2018), this suggests there must be other factors linked to the existence of the problem in addition to just the pressure from the capital market.

The pressures faced by chief executives concerning personal status as a form of pressure also represents a significant element of the CEO position. Pressure for the CEO is about the pressure associated to losing stature, credibility or their job after periods of poor performance. The leader, which may have had considerable previous success through the sheer drive in generating earnings and growth for a particular company, would possibly struggle to accept reduced levels of reporting earnings now and hence feel undue pressure, a factor, which together with leadership responsibilities, is emphasized by Schnatterly et al. (2018) as a pressure placed on chief executives. This has demonstrated that there is a degree of subjectivity between what is considered pressure inducing and a sufficient enough force that could make someone commit to illegal action instead of the alternative; what they considered as legitimate course.

Research utilizing the Fraud Diamond has additionally illustrated the interacting nature of pressure rather than suggesting that it serves solely as an independent cause. Both Kassem and Higson (2023) and Vousinas (2019) argued that fraud pressures became significantly impactful only if coupled with other situational factors in relation to the offender's mindset or behavior and indeed evidence of Azim et al. (2019) shows pressure, together with other three aspects of the Fraud Diamond, to cause fraud intentions. These aspects strongly support a view of the Fraud Diamond where interaction is dominant not causation by one aspect; therefore pressure becomes part of an interlocking system, where each piece contributes but isn’t solely liable.

It must be noted however that pressure can even stem from more personal places including; general lifestyle requirements, investment plans, family obligations, financial concerns and a wish for the accrual of more wealth for both themselves and their families. Indeed, when discussing the notion of CEO pressure, there is concern that such pressure solely relates to how a CEO can fulfill financial demands and obligation, given many executives will already have substantial amounts of finance available that could fulfill most financial demands and these other forms of pressure, mentioned here, come into play. These aspects of pressure therefore seem somewhat the less important elements influencing the decision for someone to commit fraud, but should still be acknowledged for the role that subjective decision making may play.

Of significance is the fact that pressure is also subjective and will differ from one situation to another depending on the position an individual finds himself in. So too with CEOs; whereas

each one will be undergoing differing economic pressures or shareholder pressures, some will go on to commit fraud while others will rationalize the situation away in a form other than the one in which a form of illicit act had occurred. Yusuf (2017) found that pressure as a condition interacted significantly and positively with ability indicating how the impact on pressure depends upon organizational circumstances surrounding an individual chief executive; hence, this particular perspective from the Fraud Diamond fails to elaborate why the decision has to be a wrongdoing rather than merely a way forward, leaving this burden solely on the other elements of the Fraud Diamond.

Thus, pressure has to be seen only as a mandatory, though not sufficient, pressure for a chief executive officer; the greater it becomes, then the greater the incentive is. It should thus be combined with other conditional factors to make it an integral component of the explanation for crime occurrence and the relevant parties from corporate governance should aim to minimize the extent to which performance expectations can impose overly harsh pressure by creating balanced financial incentives and making the long-term objectives of business paramount in such a quest.

Opportunity

Opportunity can be viewed as the organizational and contextual circumstances that would enable an individual to defraud with an associated low probability of detection or punishment. It serves as a principal component of Cressey's (1953) Fraud Triangle and is a foundation of Wolfe and Hermanson's (2004) Fraud Diamond. Opportunity may be present in the form of deficiencies in internal controls, governance, monitoring, information systems, and regulatory systems, but to CEO wrongdoers, the meaning is broadened since the CEO is not solely an individual who encounters these weaknesses; he or she may be powerful enough to affect how these structures were formed in the first place. Weak corporate governance is a strong avenue to this structural dimension.

These structures are intended to monitor CEO performance and provide independent assurance and oversight, but require the capability to do so, which means willingness on the board's part to challenge executive power and decision-making. If directors lack power to the CEO, they are incapable, dependent on him or her, not very knowledgeable, and lack independence for a board's presence. Schnatterly et al. (2018) emphasized organizational and governance structures in understanding CEOs and wrongdoing, so the more critical issue not is whether a board is present but rather, how effective, or not, it becomes regarding ability to challenge leadership. CEO dominance exacerbates opportunity even further by empowering the CEO to influence all aspects of internal monitoring-such as the internal audit committee, corporate attorneys, financial analysts, and others-and thereby render the existing checks and balances ineffective through management override-a further critical challenge to explanation of opportunity through weak controls.

Management override also makes CEO-level fraud different from other levels where the challenge or task for lower-level fraudster(s)is to break a rule while for the CEO, the challenge is much easier: break the rule and break the enforce(s)-who ultimately need management buy-in, or influence. Strong authority of a CEO may provide a direct route to influence accounting estimates, approve significant transactions out of the ordinary, influence financial report personnel, or instruct management below to take shortcuts in established reporting and procedural compliance, or simply bypass existing procedures. It therefore follows that CEO opportunity isn't limited to just existing weak controls; it encompasses the ability to influence

what these controls become or how they are implemented or even not implement in the first place. Information asymmetry provides opportunity because CEOs likely have substantial internal knowledge of the organization's performance, transactions and the true nature of its operations than any of its shareholders, creditors, investors, regulators, and the public, therefore, it becomes much more difficult for the stakeholders to make the separation of legitimate business choices and willful malicious intent, with less likelihood of them noticing the intentional act until it is a "great loss" if noticed at all.

Technological advancements, such as artificial intelligence and advanced digital systems for financial modeling and information management, the increased complexity and interrelated nature of today's corporate financial markets that can make financial transactions appear to be complex, opaque and sometimes to appear to be 'unexplained' or difficult to be clearly understood. Organization complexity means corporations can have different subsidiary structures or different lines of businesses throughout a wide number of global regions, thus making transactions more difficult for an audit committee, board members, internal audit specialists and external auditors to monitor their overall activity. Thus, an organization's overall complexity contributes toward generating opportunities.

Independent audit mechanisms such as rigorous audit committee support for independent internal audit, and stringent external audit practices can help minimize opportunities for CEOs to engage in wrongdoing, but the effectiveness is limited in situations where managers withhold important information, provided misleading or incorrect data to accountants and auditors, may collude with one or more organizational member(s), can override existing controls, and so on (Herman, 2004).

Hence, when an organization or business does have auditors in place, it doesn't necessarily implies that the organization isn't a target to CEO wrongful conduct. Information system design should facilitate an organization's security and also aid internal monitoring systems and provide adequate evidence to an organization's financial stakeholders such as a corporation's auditor and audit committee for the review and analysis of its financial operations. Whistle blower schemes which is employee or customer complaints provides another control where an independent person identifies an ongoing activity with an external monitoring mechanism, this type of whistle blowing mechanism system should protect employees when raising concerns or complaints about managerial employees that if are not well handled, will not be effective and will offer little benefit. For instance, if an organization's employees believe that the CEO will probably not get in trouble. However, Yusuf (2017) and Nurwahyuni (2024) showed that there was an interplay relationship between Opportunity and fraudulent behaviors among some context under particular institutional and environmental conditions.

Also, Abdullahi and Mansor (2019) revealed opportunity as being a crucial element that enables individuals in the public sector's purchasing deals to exploit the organization's flaws. This shows that existence of opportunity does not automatically lead to crime perpetration; other elements in the fraud Diamond would have to present for the wrongdoing to occur. So, if opportunity is the structural feature of CEO fraud, it is the relationship between a board's lack of independent authority and integrity,information asymmetry, organizational complexity, and how these relate to each other that creates the conditions, whereas, the CEO's capability may serve as the trigger or mechanism to exploit this created opportunity.

Rationalisation

Rationalisation represents the psychological mechanism by which an individual rationalises or excuses criminal or unethical behavior for oneself. First incorporated into the Fraud Triangle by Cressey (1953) and retained in the Fraud Diamond by Wolfe and Hermanson (2004) rationalisation suggests that those who do not view themselves as fraudulent individuals can create explanations for their dishonest actions that make them, for themselves, a plausible act. For CEO misconduct, this rationalization may include treating wrongdoing as necessary, temporary, deserved, as beneficial to the organization, or as in line with the expectations of the organisation. Nonetheless it is important to acknowledge that not all CEO's who engage in misconduct will be in fact been motivated by rationalization, but rather the fraud may have been prompted by conscious opportunism.

One argument that is most used to rationalize wrongdoing of CEO's is that it is an act required for the good of the firm, thus, if the firm is facing declining financial performance the CEO may have rationalized the manipulation of financial information with the assertion that it would ensure that the firm can still receive support from investors and continue to receive bank support as well as maintain employees. That sort of rationale may be dangerous as it tends to allow for the CEO to consider unethical acts as having been implemented for the best of the company, rather than as being for his or her benefit. A further rationalisation that has a similar outcome is that the misconduct is a temporary issue for the firm's recovery, for instance a CEO could have reasoned that manipulating the firms reporting period once will not damage its long-term standing, however, this might lead to manipulation of additional periods of financial reporting once the firm's reporting period is already distorted. Another form of rationalization is "everyone does it"; this form of rationalisation has been identified as ethical displacement in that responsibility is transferred from the executive to their surroundings of what they deem appropriate behavior for conduct within a particular industry or organization.

Though, it does not necessarily means that if an industry has established accepted standards, then the CEO will rationalise the fraud in the same way as it is possible that the executive will have knowingly engaged in the behavior. Lastly, entitlement has been identified as a possible basis for executive rationalisation where the CEO may have believed that due to having significantly influenced the success of the organisation he/she was deserving of privileged treatment. There is the justification that he/she has provided a unique and substantial service to the organization that should, by their judgement, warrant special considerations from the organizations stakeholders or even resources. Fair treatment/injustice is another key reason for rationalisation, in which the executive believes they were or are treated unfairly by the firm's board, investors or even regulators.

A CEO may have considered improper actions to be justifiable where they feel that others in the organization have taken actions against them for example if there is unequal distribution of the performance incentives or where there is bias. Organisational culture affects rationalisation in severalways, for instance, where an organisation places excessively high rewards for the financial performance of its management and doesn't pay any attention to how the results achieved can be questioned. Such studies confirm that a firm's organizational culture can be crucial in understanding the misconduct of its CEO. There is one main caveat to rationalization within the Fraud Diamond framework, since the CEO's internal reasoning cannot be directly observed by observers and investigators as is possible with opportunity and motivation.

In other words, after misconduct has happened, investigators may attempt to infer whether a CEO has been motivated to rationalise his or her misconduct on the basis of the actions and words. The risk however, that this involves circular reasoning is real; i.e. As the fraud has occurred, researchers assume that rationalisation must have motivated this wrongdoing. In regard to the empirical evidence of the effect of rationalisation on crime, the support for its relevance remains somewhat mixed, for example the use of this factor in explaining fraud intentions has provided positive results in the studies by Yusuf (2017) and Suwena (2021), while the significance varies depending on various conditions. Thus, rationalization can be said to contribute to increasing the likelihood of committing a fraud, but it cannot be stated to contribute positively to fraud in all settings.

Based on previous research this is not a sufficient cause for fraud, it rather depends on its interaction with other potential factors that can be explained by the other dimensions of the Fraud Diamond. This implies, when thinking about corporate governance, that simply putting ethical codes and procedures in place may not necessarily suffice the problem, for instance, it might be important to take into consideration the impact of the firm's culture and the need for an equal way in terms of distributing performance rewards for executives and other firm members.

Capability

The fourth element of the Fraud Diamond is capability. Introduced by Wolfe and Hermanson (2004) it is an addition to Cressey's (1953) Fraud Triangle. Wolfe and Hermanson define capability as: the skills, traits, authority, knowledge, experience, confidence, intelligence, or organisational position required to identify an opportunity and exploit that organisational weaknesses to perpetrate and conceal the fraud. The proposition is that even in the presence of pressure, opportunity, and rationalisation, an individual will not perpetrate fraud if the capability does not exist.

The question it answers that was previously inadequately explained by the Fraud Triangle is: why do individuals facing the same pressure and opportunities respond differently? This is particularly relevant to corporate executives because of the CEO's high level of access to financial, informational, and decision-making processes, resources, and other individuals. A CEO may, in that regard, possesses qualities that enable the exploitation of those opportunities that a lower-level employee could never exploit. Capability is not assumed, however, to be a paramount concern for the CEO because without opportunity and rationalization, even substantial capability might lead to no wrongdoing, just as powerful opportunities and pressure with less capability may lead to less serious wrongdoing in many cases. So capability's utility is primarily as an enabling force rather than a distinct explanatory element.

Positional authority is one facet of capability. CEOs wield considerable power and influence over financial, accounting, and strategic decisions as well as some ability to manage accounting treatments, transactions, senior level hires, internal control designs, and reporting standards. This authority could be exploited by a CEO when governance is weak. The distinction here between opportunity and capability might seem blurry, particularly if we are examining management control override (an issue that may involve both). It is not the existence of weak board oversight, inadequate internal controls or other forms of governance constraints that causes the opportunity for a specific fraud, but rather it is the ability of the executive to exploit or bypass the governance constraints that is the capability issue. This can be blurred because executive authority may contribute both to the opportunity to control a number of decision points and the

ability to override controls and transactions that would have circumvented or brought the misconduct to attention.

Organisational knowledge of systems, reporting, and control procedures is another facet. A knowledgeable CEO may recognize ways to design accounting or other schemes to bypass monitoring and control systems and/or obscure transactions. Likewise, a knowledgeable executive may also have expert knowledge, such as in accounting, finance, taxes or IT. These are factors found to be important in explaining fraudulent intentions (Yusuf, et al., 2016; Yusuf, 2017). But knowledge and expertise in reporting can also reduce the likelihood of wrongdoing by improving vigilance on the part of reporting executives and allowing for appropriate internal control activities to mitigate the risk.

Thus the role of capability needs to consider the relative directions and uses to which the capabilities might be directed. “Influence and confidence can also enhance the ability to override governance” (Brazzel et al. 2013, 95). The CEO can often be influential and confident because of his reputation and communication skills, or by using personal relationships to get employees, board members or outsiders to accept the explanations provided for dubious transactions or avoid reporting misconduct to relevant parties.

This is often found to be most effective when there is a very high regard for the CEO or fear of repercussions from superiors. Conversely, leadership influence can be harnessed for positive purposes such as ensuring consistent ethical standards within the organization, or coordination of activities towards achieve the strategic goals effectively. Management bypass of internal controls over transactions is perhaps the most direct representation of capability when it comes to the CEO. A CEO’s positions within the organisation may allow him to suspend internal controls over specific transactions or direct subordinate managers or accounting personnel to override or circumvent normal controls, procedures, or reporting.

This is one possible reason that corporate governance structures fail- they may assume executive cooperativeness. However, management override can also be attributed to opportunities created by factors outside of the CEO’s personal capabilities such as weak controls or lack of board independence. The CEO can also utilize their capabilities to solicit cooperation from other employees and management. In many cases of corporate fraud such as a Sarbanes-Oxley Act violation, the cooperation of finance department employees and other line managers is essential to conduct the misconduct.

A CEO may obtain this cooperation through charisma, leadership skills, intimidation, threats, incentive programs, relationships or organisational loyalty, although such a strategy increases the likelihood that wrongdoing is a team effort. The ability to conceal misconduct is another aspect of capability that a CEO can exercise. The CEO may know how individual transactions, reporting routines and information flow systems operate such as the internal audit function to hide transaction information from various board members and stakeholders. The internal and external monitoring functions that limit and identify misconduct by employees can be manipulated or overridden by the capability of the CEO to influence processes.

However, a lack of external and internal oversight (boards, external and internal auditors, whistle blowers) is a necessary condition for a CEO to effectively conceal the misconduct of their firm. The ability of the executive CEO to manipulate and conceal is often a function of other factors. For example, recent evidence continues to provide support for the applicability of capability,

though always in interaction with other dimensions (Simmons & Hermanson 2025; Nurwahyuni 2024; Trisna et al. 2022).

The key point is that capability should not be assumed to be of overriding importance as compared to pressure, opportunity, and rationalization without appropriate qualifications. For executives, the primary value added by capability is its enabling role, where a high level of CEO expertise and organizational position translate pressure, opportunity, and rationalization into actual actions and concealment. It can sometimes be blurred with opportunity and it might have relatively little explanatory power in situations with strong governance in which the CEO's personal capability would be largely stifled. Therefore, the Fraud Diamond is best thought of as an interactive model, where the dimension of capability can augment the other dimensions and be an important explanatory power, particularly for the CEO, without always becoming dominant.

The main idea is that capability, rather than being seen as a primary cause for misconduct per se, acts as an enabler of the CEO's actual wrongdoing, where it facilitates the translation of the other conditions into actions and concealment, but is contingent on organisational, environmental, and individual factors.

Interdependence of pressure, opportunity, rationalization and capability

Although all four variables: pressure, opportunity, rationalization and capability, have been introduced and analyzed, their theoretical importance can to some extent be ascertained from the way in which the four variables may interact in bringing about the occurrence of CEO misconduct. Wolfe and Hermanson (2004) further elaborate on their definitions by defining the dimensions as: motivation (pressure); enabling conditions (opportunity); psychological justification (rationalization) and capacity to carry out and conceal the offense (capability). This, however, does not suggest a static structure whereby all four conditions must exist in a prescribed order before a person is able to perpetrate fraud. Such a conception makes the Fraud Diamond overly deterministic and fails to account for a situation whereby an offense may occur where the presence of the rationalization element is not readily identifiable, or when individual capacity, in relation to an organization's structure, is less of a factor than organisational conditions.

Whilst it is established that pressure may create a direct incentive to commit an offense (Motivation, Incentive & Pressure), it does not explain why an executive, rather than take normal corporate action to achieve targeted earnings, is inclined to resort to executive fraud. Similarly, the existence of controls' weaknesses creates an opportunity but this does not result in executive fraud; the executive is free to choose to exploit the given opportunities. Rationalisation can provide some means of reassuring the individual that what they are doing is not morally wrong; however it is difficult to verify if such a state of psychological justification is present before the action itself is conducted, or constructed subsequent to the act. Finally, whilst capacity may enable the commission of an offense, capable managers can use their skills, knowledge and authority to strengthen rather than weaken controls, by their adherence to ethical procedures and controls. The value of the model, therefore, would arise less from the elements occurring concurrently, rather more on the condition(s) under which they may either constrain or supplement each other.

Thus, it can be theorized that a CEO has incentive to cheat (pressures to meet profits, stock prices, investor expectations) and an environment conducive to cheat (poor board independence,

internal controls weaker than desired), and a desire to cheat (rationalisation that this benefits shareholders, employees or the entity, etc.). And then capability becomes important when such a condition is met, as the presence of authority coupled with specialized knowledge and influence will give the CEO leverage. This, of course, will be to the detriment of the organization as controls are circumvented, as other employees are likely drawn in to execute the maneuver, and thus as controls continue to deteriorate, another opportunity will again arise for CEO deception. Clearly, the present example does not demonstrate that such is always the case but is indicative how certain condition may lead to that explanation; a more rigorous framework is needed to be constructed upon this assumption.

The application of empirical research supports the proposition of interaction, although it also provides a cautionary note that the impacts of the different dimensions will not necessary occur equally in the varying contexts in which they exist. Azim et al. (2019) argue that pressure, opportunity, rationalisation and capability contribute in fraudulent intentions, thereby supporting that fraud-related variables may impact multiplicatively. Yusuf (2017) demonstrates that both pressure and capability have significant effects on banking fraud, and while noting that the relative weights of the various Fraud Diamond dimensions appear dependent on a given control context, has demonstrated some links between the various factors on which the theory rests. Nurwahyuni (2024) argues that The four dimensions of Fraud Diamond can explain the fraud occurrence. Thus, on empirical grounds, evidence supporting the benefits of an holistic framework is apparent though it still does not evidence that all of the components must have relatively equivalent impact nor sufficient by themselves.

More importantly, in the CEO context, many of the CEO's characteristics serve to link up more than one fraud-related variable at a time. It can be argued that performance-based incentives link the CEO's motivation (Pressure), ineffective boards or inadequate disclosure linkages link opportunity (Opportunity), a culture of "whatever-it-takes" links rationalization, whilst the authority or influence of CEO links his ability (Capability). The resultant fraud committed by the CEO cannot therefore be viewed as individual and self-isolated to purely managerial decisions, but rather as an interactional result. Such approach indicates a number of the limitations in treating Fraud Diamond as a complete theory of the fraud committed by chief executives. Firstly, organization culture itself can be seen either as condoning or discouraging fraud from taking place, while poor reporting and lack of transparency increase the likelihood and magnitude of fraud and lessen the deterrence effect due to the lower likelihood of getting caught. In addition to that, individual behavioral biases can affect a CEO's perception on performance, risks and even on ethical behavior. Meanwhile the authority in position enables CEO to strengthen his power but it may create different sort of risks and potential opportunities too. Thus, the Fraud Diamond should not be taken as a complete framework or explanation for CEO fraud; but an important starting point for conducting research in this area.

Further and most importantly, one must reconsider the relationship between capabilities and others Fraud Diamond dimensions. Capability the factor that will translate opportunity and motivation into fraud committed; but when an unusual amount of authority or influence is given to CEO, this opportunity itself can be regarded as an opportunity structure per se. Alternatively, knowledge about organization itself is not only enables executive to plan and perform fraud, it also helps to circumvent detection and maintain the facade of legitimacy after fraud has committed. The dual nature of capabilities implies that the strength of its relative contribution and explanatory power relative to others aspects of the Fraud Diamond may not automatically

render it the most significant factor influencing any CEO's engagement in misconduct. A more appropriate explanation may involve positing a unique role for capability in enabling access and control which translates pre-existing, or created, opportunity into an actual fraud in circumstances were the manager has a position or position-relevant influence in the organization that the ordinary employee does not.

In terms of corporate governance, the fact that some forms of fraud rely on combinations of these variables highlights the challenge of prevention and monitoring when dealing with relatively rational and self-interested human beings. Preventing simply the incentives element of fraud through, for instance balanced remuneration structures will not be successful if opportunity has not been adequately addressed and the relevant corporate governance mechanisms for internal controls are absent and lack support and legitimacy. So are with increasing levels of controls where the need for rationalization to proceed still exists and opportunity can potentially bypass this level by manipulation of other internal controls, especially if it leads to the desired business outcome. Similarly, while there exist strong ethical framework designed to counter rationalization, their effects will likely be negligible where there are no pressures to conform to ethics and an expectation of a reward. So, in terms of limitation, one can therefore infer that an effective framework for controlling and fraud risk management must be based on mechanisms that influence each aspect of Fraud Diamond either collectively, or in such a manner that affects more than one fraud risk variable simultaneously.

A similar approach can be established if Fraud Diamond is presented more as an interactional analytical framework rather than a deterministic causal framework. Pressure, opportunity, rationalisation and capabilities work together through mutual reinforcements and complementary ways (if they exist in close proportion) leading to CEO fraud. It will not be accurate to posit that a sufficient condition for CEO fraud can only arise when all four types are observed. Nevertheless, the Fraud Diamond does highlight the manner in which various factors can co-exist to facilitate the occurrence of CEO deception.

Therefore, its greatest contribution towards the study of CEO fraud seems to be its elevation of a simple motivation explanation of fraud onto the issue of the interacting effect of opportunities in organizational structures with motivations to exploit them, psychological reinforcement and capabilities necessary to successfully perpetrate and carry out the act and its ensuing aftermath.

CEO and CEO Wrongdoing

The Chief Executive Officer (CEO) is, in most corporate organisations, the primary senior executive. The CEO has extensive discretion over strategy, resource allocation, senior appointments, financial reporting and relationships with stakeholders. While the executive is central to an organisation's success and so therefore needs extensive power, power concentrated among senior executives provides a governance challenge; the very qualities that make such authority desirable may make those who wield it culpable for misconduct, particularly in the absence of sufficient constraints. The problem is therefore not that authority among executives, nor a strong CEO role, is necessarily damaging but that concentrations of executive authority may enable a positive managerial use of such power to become a malevolent form of opportunism.

In corporate governance terms, the CEO simultaneously poses both a principal form of organisational leadership and an agency risk. According Jensen & Meckling (1976), different interest between owners and agents at firm level will generate agency problems in relation to

executive autonomy that could be monitored less tightly than would otherwise be appropriate for effective executive decision-making and actions (Jensen & Meckling, 1976). That's especially an issue at CEO level, where an executive can have considerable influence over systems used to monitor their behaviour. As Schnatterly et al (2018) explain, CEO wrongdoing is such a critical issue in corporate governance because at this level of management an executive's violation is not only personal to them; it has profound implications for investors, creditors, employees, regulators, customers and others through loss of money, loss of reputation, the emergence of legal and regulatory liabilities as well as a loss of trust and confidence.

However simply equating CEO wrongdoing with a unethical or illegal business act is, of course, far too general. Not every organisational failure or environmental misuse or unfair business result needs a CEO accountable and responsible. CEO wrongdoing refers, for the purpose of this study: to the willful or knowing wrongful conduct by a CEO related to their function and role which directly violates some applicable laws, standards, principles of fiduciary duty, ethical, and/or organisational code of conduct and which carries a potential or actual damaging impact for the organization and/or its stakeholders. Three boundaries can be identified at this point: first is CEO attribution, the actions must be attributable to a CEO, the act itself is inherently wrongdoing by constituting a violation or egregious departure from standards, and the transgression must be connected to the CEO's status in the organization and use of executive privileges.

Within this framework,CEO wrongdoing can assume various forms. Such categories do not exist independently but can be structured: into financial and reporting violations (like financial statement fraud, earnings management, fraudulent disclosure); governance & regulatory wrongdoing (such as bribery and corruption, illegal use of inside information, abuse of executive power, deliberate breaches of regulations); emerging digital & non-financial wrongdoing (such as manipulation via digital mechanisms and deception on an organization's corporate responsibility values and reporting on issues like its ESG contributions- though these acts should always be committed with the willful or knowing consent or instigation of the CEO). There may well be the emergence of new forms but they fit within existing models and allow for dynamism without an unending reinvention of what constitutes executive delinquency.

Expanded corporate activities will create problems regarding tracing this concept to executive level performance. The internationalisation of business and sophisticated financial arrangements along with technology have all empowered individuals at the corporate level. A variety of information technologies can facilitate the commission and concealing of violations. For a CEO's position, this represents new ways in which information systems and transactional information flows can be manipulated; but it can also challenge a firm's ability to attribute blame between numerous involved employees, senior partners, regulators, external professionals and their sophisticated information systems. In this context, therefore, one should consider ceo wrongdoing beyond purely accounting fraud, but the question really is whether the executive is using executive prerogatives and/or information systems to effect deliberate abuse that takes undue advantage over other interested parties where those actions violate one of many principles of law/ethics/regulation, irrespective of its ultimate form of money, law, or technology.

This further connects to the influence of the CEO over corporate culture. Senior management is an important symbol in signalling to the rest of the organization, what behavior, standards and policies are permissible through mechanisms ranging from written statements to the formal

evaluation systems and reward structures and sanctions for actions regarded outside the bounds of acceptability. Johnson et al. (2019) suggest the enabling role for individual ethical behavior through leadership actions. So CEO wrongdoing may occur via two forms-both directly (an executive may directly participate or institute, encourage or otherwise enable an unethical outcome in his organization and his executive actions may constitute the specific transgression) and indirectly (where leadership encourages a certain behavior over time and therefore conditions an individual to undertake unacceptably fraudulent activities); this latter may be problematic, however, in labeling the specific activity as CEO wrongdoing as opposed to an organizational culture that enabled that wrongdoing.

The theory of agency is relevant here for illustrating why the executive is empowered and how power may become exercised against the owners' interests; Jenson & Meckling argue that a manger has no inherent motive that is aligned with a shareholder; in agency they may act in a self-interested capacity if the costs are not directly incurred and are dispersed among a vast number of owners and therefore monitored less strongly. For a CEO they have ample authority to bend internal controls, affect financial reports, affect corporate disclosures, and affect investigations; however this is not proof that a powerful executive is more likely to do something wrong-executive power is also necessary to make appropriate executive decisions for the good of the business as well as create sufficient space for business to operate efficiently without over-restriction.

This is particularly relevant when analyzing ceo wrongdoing under an interpretation of Fraud Diamond theory. Wolfe & Hermanson extend Fraud Triangle to incorporate capability-by adding this fourth element, "it assumes that a participant has to have a range of individual qualities in conjunction with external situational elements to produce an instance of financial fraud" (Wolfe & Hermanson, 2004, page 326). Applying it to senior executive level performance can provide insights as to which specific factors of pressure, opportunity, rationalization and capability enable wrongful acts at the very highest of levels within an organization. However it must not imply that since these four elements exist within a situation then it is an inevitable act on the part of the CEO, nor does having a senior position automatically infer capability. It simply suggests the way in which capability, combined with a position of executive power, can harness a situation for illicit personal gain.

What Fraud diamond then allows you to analyze is how the combination of pressures from within an organization, or from external sources to have profit at a particular level, opportunity to profit, rationalization within oneself, and the possession of capabilities through one's position, leads to wrongdoing (Wolfe & Hermanson, 2004). There are obviously more complex potential analyses (like organizational culture, individual personality factors, institution-level analyses etc), however the idea behind CEO wrongdoing has at least a capacity to utilize this explanation of fraud without that claim becoming over-inclusive at top levels of a large firm. This then establishes grounds from which to critically analyze the contribution of pressure, opportunity, rationalization and capability to explaining executive misconduct relative to the conditions within the organization, and not as an inalienable human quality of that high-level chief executive.

Types of CEO Wrongdoing

CEO wrongdoing is not one single category of misconduct but rather different types of intentional or knowing reckless conduct by the CEO which breaches legal, regulatory, fiduciary,

ethical or organisational standards of conduct in relation to their executive functions. Merely defining each corporate legal risk as CEO wrongdoing raises a conceptual problem, for corporate misconduct may involve employees, boards, advisers or organisational systems without the CEO's legal responsibility for the actions. The critical feature is whether the CEO was involved, knew or should have known, and had the authority and organisational responsibility for that action or omission. Using that analysis, we can define CEO wrongdoing as (1) financial and reporting misconduct, (2) corruption and misuse of corporate resources, (3) market and regulatory misconduct, (4) non-financial and ESG-related misconduct and (5) abuse of executive authority.

Financial and Reporting Wrongdoing

Financial and reporting wrongdoing occurs where there is intentional distortion, misrepresentation or concealment of relevant information with an intent to influence the information users of corporate reports. This potentially may encompass, fraudulent revenue recognition, understated liabilities, misrepresentation of expenses, inappropriate accounting estimates and intentional misstatement of the financial statements. This dimension is critical as the decisions regarding investment, lending and others are normally made by investors and creditors based on the disclosures of the corporate bodies (Schnatterly et al., 2018).

Nevertheless, not all aggressive accounting choices should be viewed as CEO misbehaviour. As accounting standards normally allow management judgement, estimates and alternative treatments. Hence the essential differentiation is between appropriate managerial discretion and fraudulent misrepresentation. This differentiation is also relevant for the Fraud Diamond; (performance) pressure could motivate manipulation but (performance) pressure itself cannot determine that a CEO would transgress the line between appropriate reporting judgement and fraud.

Corruption, Bribery and Misuse of Corporate Resources

Corruption may be defined as abusing organisational resources or executive authority for personal or related-party gain. Corruption may involve authorising illegal payments, accepting kickbacks, distorting procurement processes or affecting the distribution of contracts for private advantage. Corruption of this kind may be enabled by lax procurement procedures, opacity, and ineffective enforcement. However, competition should not be considered as justifying corruption.

The added claim that bribery must occur to win the business is an example of rationalisation, but it is not the same thing as an act of executive misconduct to approve or make an illicit payment.

Other executive misconduct of a corporate resource nature can take the form of personal use of the company’s property and assets, abuse of expense reimbursement, self-enrichment, conflicts of interest and inappropriate related party transactions. The corporate governance issue emanates from the fiduciary nature of executive power: the CEO is invested with corporate resources for organizational, not private purposes. Executive discretion thus creates the potential for a conflict between the fiduciary imperative and the opportunity for self-enrichment.

Insider Trading and Market Manipulation

Market-related misconduct of a different sort arises where CEOs have access to information not accessible to other participants in the market. Knowledge relating to mergers and acquisitions, financial troubles, important contracts, earnings reports or other significant events can give a director an informational edge. Intentionally trading on material nonpublic information can

therefore amount to insider trading, while intentionally releasing false or misleading information to induce investors can amount to market manipulation.

As such the experiences described earlier illustrate that CEO misconduct cannot be segregated from the behaviour of the broader organisation. The informational advantage that a CEO has can impact upon external capital markets and investors. However, the existence of information asymmetry should not be taken as a proxy for CEO misconduct. All CEOs have access to information that investors do not and wrongdoing is only present when the CEO abuses this legitimately held informational advantage in breach of the law or fiduciary duty.

Regulatory and Legal Wrongdoing

CEO misconduct may also include intentional contravention of laws, rules or statutory requirements relating to corporate activity. Specific areas include securities regulation, tax law, environmental rules, labour rules, competition rules, health and safety rules and other sector specific requirements. Such behavior has particular significance where executives intentionally decide to disregard the law, as expected payment is then believed to outweigh the likelihood or expense of enforcement.

This category reveals a shortcoming of accounting for CEO wrongdoings with the Fraud Diamond alone. It is true that regulatory violations put pressure and provide opportunity for CEOs to engage in wrongdoing, yet institutional circumstances might be the key. Lax enforcement, regulatory unpredictability or non-uniform sanctions may impact executives' perception of the costs of non-compliance. Therefore, regulatory wrongdoings should not be solely focused on the individual motives of the CEO, but also on the CEO-institution interactions.

ESG and Other Non-Financial Misconduct

The growth of corporate disclosure on environmental, social and governance issues (ESG) has led to new dimensions in which executive misconduct could take place. CEOs may, for instance, distort the reported success of environmental or social initiatives, hide material environmental or social damage, or falsify information on emissions, employment practices or social responsibility. Such behaviour can mislead stakeholders who are more and more using non-financial information as decision inputs.

However, not every instance of ESG organisational failure should be punitively attributed to the CEO. For instance, those who believe that a company's activities have been sufficiently damaging for it to be considered environmentally irresponsible do not necessarily have to hold the CEO responsible for its failure to meet regulatory standards, and it would be inappropriate to do so if the failure resulted from operations failures, flawed decision-making, or a failure to operate systems devised by other members of the organisation that lacks the requisite intent on behalf of the CEO. CEO wrongdoing in respect of ESG misconduct should only be identified where there is a prima facie case against the CEO for intent or knowingly reckless involvement in the misrepresentation, concealment or authorisation of the misconduct, to avoid an overly broad conception of CEO wrongdoing.

Abuse of Executive Power

Another category consists of abusing the CEO's power to block accountability or to penalize those who oppose an executive decision. Examples of this include intimidating or threatening employees, retaliation against whistle blowers, tampering with internal investigation,

withholding damaging information, improperly influencing the board, or manipulating processes within the organisation in favor of oneself or one's management.

This dimension is especially relevant because it shows that CEO misconduct not always directly related to the intent of theft or disclosure of false financial information. Executive power can itself be used for the purpose of dishonesty. If employees are threatened with retaliation or if they doubt that senior management is subject to scrutiny then organisational accountability may be undermined and other forms of misconduct may go undetected.

While the inclusion of these categories shows that CEO malfeasance is moving beyond classical financial fraud, they should not be interpreted as separate channels by which the CEO can abuse his position. Financial manipulation, corruption, market misconduct, regulatory breaches, ESG misrepresentation and abuse of authority each have different victims, circumstances and legal ramifications. They are unified however, by their common reference point to a CEO's purposeful or knowingly reckless abuse of managerial power or discretion. This delineation is important because otherwise, the Fraud Diamond can be used as an all-encompassing explanation for anything that goes wrong in an organization.

Significantly, the availability of a number of different types of CEO misconduct does not presuppose that these four antecedents will be expressed in the same way in each type of endeavor. For example, performance pressure may be more relevant in accounting manipulation; information asymmetry in insider trading; institutional weakness in regulatory transgressions; and executive power in retaliation or obstruction. Accordingly, the Fraud Diamond should be used as a flexible analytical device rather than as a general premise that the one same combination of four factors accounts for each form of CEO misfeasance.

Relationship Between CEO Wrongdoing and the Four Dimensions of Fraud Diamond

The relationship between CEO wrongdoing and the four dimensions of the Fraud Diamond should not be interpreted as a simple cause-and-effect relationship. Pressure, opportunity, rationalisation and capability explain different conditions that may contribute to misconduct but none of the dimensions alone establishes that a CEO will engage in wrongdoing. The relevance of the Fraud Diamond therefore lies in explaining how these conditions can converge within the executive and organisational environment to make misconduct more likely (Wolfe & Hermanson, 2004). This perspective is particularly important for CEO wrongdoing because executive misconduct is shaped not only by individual motivation but also by governance arrangements, organisational culture and institutional conditions.

Pressure and CEO Wrongdoing

Pressure refers to the incentives or perceived demands that may motivate an individual to consider fraudulent or other forms of wrongful conduct. Cressey (1953) identified pressure as one of the central elements of the Fraud Triangle, and Wolfe and Hermanson (2004) retained it as a core dimension of the Fraud Diamond. In the case of CEOs, pressure extends beyond personal financial difficulties to include shareholder expectations, financial targets, executive compensation, debt obligations, competitive pressures, poor organisational performance, career concerns and the desire to maintain a reputation for managerial success. The significance of these pressures becomes clearer where executive performance is strongly assessed through financial and market indicators.

CEOs may be expected to increase revenue, meet profit targets, achieve earnings forecasts, improve market value and sustain organisational growth. When actual performance falls below these expectations, the CEO may face pressure from the board, investors and financial markets. Schnatterly et al. (2018) identify performance pressure as an important contextual factor associated with executive misconduct. However, this does not mean that performance pressure necessarily produces misconduct.

A CEO facing declining performance may respond through restructuring, cost reduction or transparent communication rather than manipulation. Pressure therefore explains the motivation to consider wrongdoing, but it cannot by itself explain the decision to engage in it. Executive compensation provides another illustration of this distinction. Performance-related remuneration can legitimately align executive interests with those of shareholders.

The problem arises when compensation structures place disproportionate emphasis on short-term financial outcomes or create substantial rewards for achieving specific targets while imposing limited consequences for poor-quality performance. Under such conditions, a CEO may have an incentive to protect reported performance even when the underlying results do not justify it. The argument, therefore, is not that executive compensation causes wrongdoing, but that poorly designed incentives can intensify pressure when combined with other conditions that make misconduct feasible. Career and reputational concerns may produce a similar effect. A CEO who has developed a reputation for exceptional performance may perceive declining results as a threat to employment, status or future career opportunities.

Such concerns may encourage the concealment of negative information or the presentation of misleadingly favourable results. Yet the same pressure can produce different responses among executives. This variation demonstrates an important limitation of treating pressure as a sufficient explanation: pressure creates motivation, but it does not determine behaviour. The Fraud Diamond becomes more useful at this point because it connects pressure with the other dimensions. A CEO facing substantial performance pressure may still refrain from wrongdoing where effective governance restricts opportunities, ethical standards discourage rationalisation and independent oversight limits the executive's capability to manipulate organisational processes. Pressure is therefore better understood as a motivating condition whose effect depends on the organisational and individual circumstances surrounding the CEO.

Opportunity and CEO Wrongdoing

Opportunity refers to the conditions that make it possible for wrongdoing to be committed and concealed. Cressey (1953) identified opportunity as a central element of fraudulent behaviour, while Wolfe and Hermanson (2004) retained it in the Fraud Diamond. In relation to CEO wrongdoing, opportunity is particularly significant because CEOs occupy positions that provide substantial access to organisational information, decision-making processes and resources. Weak internal controls can increase this opportunity where CEOs are able to influence transactions, accounting procedures, financial disclosures or control processes. However, the existence of weak controls does not automatically result in executive misconduct.

The more important issue is whether the CEO can exploit those weaknesses without effective independent challenge. Where executives can override controls, influence accounting personnel or interfere with investigations, formal controls may exist but provide limited protection against senior-level misconduct. Board oversight represents another important constraint on executive

opportunity. An effective board should scrutinise management decisions, challenge questionable conduct and protect the interests of shareholders and other stakeholders.

Where directors lack independence, relevant expertise, information or willingness to challenge the CEO, executive discretion may become excessive. CEO duality may further complicate this relationship because combining the positions of CEO and board chair can weaken the practical separation between management and oversight (Krause et al., 2014). Nevertheless, CEO duality should not be treated as evidence of wrongdoing in itself. Its significance depends on whether other governance mechanisms are sufficiently independent to constrain executive discretion.

Information asymmetry also creates an important opportunity. CEOs normally possess more detailed knowledge of organisational performance and internal operations than shareholders, creditors and other external stakeholders. This information advantage is a normal feature of corporate management and should not itself be regarded as misconduct. It becomes problematic when executives deliberately exploit the information gap to conceal material information or mislead those responsible for monitoring the organisation. Independent financial reporting, internal audit, external audit, board oversight and effective whistleblowing systems can therefore reduce the opportunity for executive deception.

Opportunity consequently represents more than the simple absence of internal controls. It reflects the extent to which organisational and governance structures allow executive authority to operate without effective scrutiny. This distinction is important because otherwise every organisation with imperfect controls could be classified as vulnerable to CEO wrongdoing. The relevant issue is whether weaknesses in governance provide a practical pathway through which a CEO can exploit organisational authority, information or resources for wrongful purposes.

Rationalisation and CEO Wrongdoing

Rationalisation is the psychological process by which a person defines that the wrongful act, not the circumstances causing the act, can be morally acceptable, legally justified or even necessitated. Rationalisation is another of Cressey's (1953) conditions of fraud and a dimension of Wolfe and Hermanson's (2004) Fraud Diamond. In the case of CEO wrongdoing, rationalisation offers an answer as to how pressure and opportunity, in isolation, would not make a high-ranking official go ahead and engage in fraud. There must be something enabling them to know they have an opportunity (pressure has driven them) but to convince themselves it is okay, acceptable and justifiable to proceed with the act.

There are three ways a CEO can use rationalisation. One way is by viewing the fraudulent act, e.g. Manipulating financials to boost reporting figures, as a necessary measure that is implemented just for a little while to enable the organization to continue or improve performance and then "regularised"; eventually another period requires further manipulation to make the initial 'fix' remain a positive figure. In fact this justification can lead to a situation where the once separate action can become a continuing fraud since no problem is solved and needs re-correction in a subsequent period.

A competitive environment also contributes to one type of rationalisation. The CEO may take an action in order to remain competitive and keep up with industry trends that can lead to the misleading act or decision, e.g. To meet quarterly earnings figures so it doesn't appear lower than competitors'; the reasoning is that if others are getting away with it and performing better, why can't we? This rationalisation distracts from the legality and morality of the action, making the

decision to commit fraud not about the individual and their decisions but about the competitors' decisions and actions. However, just because competitors are acting unethically doesn't make a person's act morally right.

The third type of rationalization is a feeling of Entitlement and this can be shown by the person believing that they, in particular, have been chosen and they deserve more from the company based on how much they invest into it, their performance, reputation, and ability. This can arise as the person starts to use the company's resources without authority, e.g. By spending company money on luxuries. The issue here is that this position allows the CEO to have executive discretion about the boundaries between legitimate usage of company resources for corporate gain and illegitimate personal gain.

The last way an executive can demonstrate Rationalisation is through Diffusion of Responsibility. An accountant, auditor, or perhaps another, less powerful, manager, might be encouraged or perhaps directly ordered by a CEO to manipulate financials and the responsibility for the illegal decision is implicitly passed off as the accountant/auditor's fault rather than the CEO's. The rationalisation here makes the matter appear as if individual employees' moral agency has contributed to the wrongdoing. As has been suggested previously, organisational processes facilitate individual motivations so rationalisation, viewed in this way, should not always be conceived solely as an internal, individual, decision. It might be as well that they create favourable organisational environments that facilitate displacement or normativization.

Rationalisation and other individual rationalisations are conceptually difficult to demonstrate or measure since they represent only internal explanations. As seen above, these internal motivations can often arise as a result of certain situational and organisational factors that can provide conditions enabling fraud. Unlike observable and empirically detectable variables, such as characteristics of control environment or details of reported financial transactions, executive motivation is inherently less observable; in the course of research, such conditions lead individuals or entities toinfer what is their executive's or organizations' psychological position in order to explain what is really going on, but this inference might not match their exact thought processes in reality so we may or may not say what are their thoughts and intentions. Rather than making firm arguments on causes from facts, rationalisation offers reasonable psychological reasoning toward executive fraud but isn't necessarily fact-proof in each case.

Capability and CEO Wrongdoing

Capability is the forth differentiating element of the Fraud Diamond in that when comparing to the Fraud Triangle it acknowledges there are certain individual conditions that need to be met. That, is: the opportunity is large enough; there are individual attributes present in an individual that can distinguish whether the fraud can be perpetrated and concealed efficiently; thus individual capabilities should be identified and assessed more seriously. Wolfe and Hermanson (2004) define 'capability' as "those individual factors which may give the potential wrongdoer access to resources, power and knowledge required to carry out and conceal the fraud effectively." Thus such capabilities must be gained through some mechanism whether it is an individuals access to knowledge or information that may be vital or useful in performing the fraud.

Why does an executive need these specific capabilities for a fraud when in some situations this condition would appear necessary for even lower management to perpetrate fraud? Firstly, with a position such as CEO, access to specific data may prove invaluable to identifying fraud.

Knowledge of insider dealings, sensitive strategic information, the details behind organisational operations and reporting systems could each provide invaluable means of detecting vulnerabilities within financial reporting systems or gaining sufficient knowledge to exploit the internal control environment more effectively. Secondly, as CEO, the executive often occupies a position within organisations of tremendous strategic and cultural influence. This type of authority may provide opportunity of persuasion, manipulation, pressure and guidance to convince other subordinates to commit the fraud, or simply report false information and be held responsible by the executive later should the fraud become apparent to investigators; this type of manipulation by authority will lead them to participate by formalising internal processes to reflect a different, inflated value. They have control over all lower-level employees and can use pressure and threat if that is not going to work. Thirdly, CEOs might have significant power over employees due to their organisational status which may lead subordinates, who might otherwise not even consider committing a fraud, into actively or indirectly supporting the executive. Fourthly, CEOs often posses a level of social skill and communication prowess that enable them to charm, convince and mislead individuals away from suspicious findings; the individual CEO will make their explanation so persuasive it will be very difficult for investigators, or auditors and board members, to dispute their assertions.

An organisation's position, however, makes each specific skill set that a particular CEO may have accessible, and potentially critical, for each stage and for different frauds. A knowledgeable CEO has access to strategic information while someone familiar with computing will be able to manage the computer systems involved for fraud in the most skillful manner possible. The CEO may also have the ability through his knowledge of the organization, to tailor the fraud such that detection is minimized such that the entire exercise only minimally impacts operational flow, creating even greater difficulty for detection. However, capability should also be considered alongside potential for committing fraud. An executive might possess extreme technical capabilities but no desire and or intention whatsoever for engaging in fraud and can indeed use these competencies as much as they potentially can to strengthen a company's control environment or processes rather than manipulate it for their own benefit. Capability really becomes the essential factor once an opportunity exists and individuals are driven by pressure.

The interaction of the four dimensions

It is most useful to think about the four dimensions in the terms of interacting circumstances, not necessarily causes on their own. The first dimension may present an opportunity for engaging in a misconduct; on the other hand, pressure is not automatically accompanied with a willingness to accept a wrong outcome. Motivation to engage in a wrongdoing may arise from pressure and the opportunity then provides the environment to do so; rationalization may lessen an internal opposition to commit a wrongdoing and capability will show whether an executive is able to and can cover up any inappropriate behavior (Wolfe & Hermanson, 2004).

Take an example of an organization in which the CEO is facing enormous pressure regarding the meeting earnings for the upcoming fiscal year. The presence of pressure does not guarantee that the CEO is willing to take some action toward manipulating any financial statement. An organization with an effective monitoring mechanism, independent board and good internal control system can provide fewer opportunities for manipulating financial accounts. If even an available opportunity is not enough to persuade the CEO (e.g. Personal value does not correspond with any misuse of organizational resources), it does not mean anything. In an opposite situation where the executive has adequate ability to cover up and the CEO has capacity

to waive the control, also in the name of organizational protection; an organization conditions can be considered ripe for the wrongdoing.

It is apparent how these dimensions combine and thus why the Fraud Diamond as a deterministic concept is weak and can't be fully believed. A pressure can exist with opportunity but still can be accompanied with neither motivation nor capabilities. The presence of the four aspects is definitely not necessary and not a complete requirement. If there is a pressure, but not opportunity, an opportunity is then not necessarily an absent factor for long. Moreover, when one factor from the Fraud Diamond may be missing, there is always the other explanation for this factor's absence because individual behavior can manifest in different ways to various organizational scenarios. Thus the Fraud diamond should be seen as one way which could lead to organizational wrongdoing rather than predict directly.

Empirical studies further suggest that the importance attributed to different dimensions might differ between sectors and firms. For example, Azim et al. (2019) established evidence of presence of pressure, opportunity, rationalization and capability as motivational factors toward a fraudulent intention, whilst Yusuf (2017) demonstrated some relationships with pressure and capability in the banking fraud case, in particular in Nigeria. Furthermore, Nurwahyuni (2024) examined various correlations with dimensions of the Fraud Diamond and fraud behaviors in the organizations. All these results highlight that all four dimensions can play roles in such instances, but they can hardly be considered as of equal importance for any wrongdoing across different sectors or organizations.
The contextual sensitivity of the Fraud Diamond seems particularly important concerning the CEO wrongdoing. CEO misuse of money can be affected by many organizational, personal, cultural and systemic issues which are beyond the Fraud Diamond such as firm culture (which dictates which behaviors are tolerated by other staff), perceived outcomes of committing financial wrongdoing(reduced by poorly enforced internal and external control systems) and cognitive biases of each executive(influenced by the personal interpretation of situation). It is suggested that these factors may reinforce or attenuate the relevance of each individual Fraud Diamond dimension.

Hence the relationship between wrongdoing by an executive, specifically a CEO, and the Fraud Diamond is seen as conditional, not predictive. The model serves to display the combination of pressures, opportunities, rationalization, and capability. Yet, it does not attempt to explain every aspect of executive wrongdoing nor is it the ultimate model. The primary contribution of the model is not the assertion that these four dimensions drive executives to commit fraud, but rather to illustrate how motivation, opportunity, rationalization and capability together may transform a legitimate business activity of an executive into fraud driven by intentional fraud commission and knowingly risky behavior.

CEO wrongdoing therefore appears well served by the Fraud Diamond as a starting point, given awareness of its limits. It encourages the study of the interaction of motivational circumstances, opportunities to commit fraudulent actions, mental justification, and technical ability. Executive wrongdoing then shouldn't simply be attributed to greedy executives or weak internal controls but can be seen as the combination of different underlying influences at the individual and organizational level.

3.0 Theoretical Review

The Fraud Triangle Theory

The Fraud Triangle Theory-which was developed by Cressey (1953)-explains under what circumstances an individual is induced to commit a fraudulent act. There are three interrelated conditions: pressure, opportunity and rationalisation. Pressure indicates the incentive or motive that creates a perceived need to act contrary; opportunity describes an existing organizational situation where an individual is allowed to perform the act; rationalisation refers to the method by which the individual rationalises to him or herself that the proposed act is compatible with personal morality and the code of ethics (Cressey, 1953). It is an important framework as it shifts the focus from explaining the fraud only from a premise of the crook's lack of integrity towards taking into account the interaction between individual pressure and an organizational situation (Ziegenfuss and Abernathy, 1985).

The relevance of the Fraud Triangle for CEO misconduct is substantial, but, when applied to top managers it becomes questionable. CEO may face pressure from shareholder expectations, earnings reports, stock valuation, career prospects, compensation scheme and reputations, making it more compelling for the CEO to manipulate corporate figures or disguise poor performance. Nevertheless, pressure does not serve as an autonomous explanation, since even demanding business conditions do not drive every executive in doing an unlawful deed but rather influence certain executives more than others. Pressure thus provides the motivation rather than determination for fraud occurrence.

A lack of opportunity, as well as other factors, is as critical as pressure but cannot explain CEO misconduct on its own. There may be opportunities of fraudulent practices arising from poor controls, inadequate boards, limited scope auditing, asymmetrics in information flow and excessive managerial discretion. It does not suggest that every CEO having such opportunity must have acted in a fraudulent way; otherwise every executive facing poor business controls would have taken a swipe at the cash register, thus the opposite from reality and would require any executives being a fraudster (Wolfe and Hermanson, 2004). Therefore opportunity is more of a facilitative condition that can turn into a fraudulent intent depending on characteristics of the particular executive.

Rationalisation-which is a motivational rather than volitional component of the Fraud Triangle-provides the cognitive rationalization of being permitted to commit fraud (Cressey, 1953). The motivation can exist at the corporate or individual level; e.g. Doing the fraudulent deed is for the firm's interests, for his/hers interests or to avoid negative impacts such as reputation lose. Rationalisation is though a psychological condition difficult to observe by an external auditor or researcher; in fact it can be prior, during and following the criminal act; it is in relation to this the researcher needs to infer rationalisation which adds to uncertainty regarding whether an actual rationalisation exist.

Fraud Triangle is an important foundation in understanding CEO fraud because it incorporates motivational, situational and psychological factors. Its use to predict CEO wrongdoing is incomplete, however: the framework fails to distinguish between persons experiencing the opportunity from those having a capacity to take advantage of the opportunity by the use of fraud due to their specific role in the organization. This is crucial to the explanation of CEO misconduct where the managerial level, by of authority, alters the relationship between

opportunity and misconduct. Fraud Triangle is thus foundation but not final explanation of the CEO fraud.

Fraud Diamond Theory

The Fraud Diamond Theory suggested by Wolfe and Hermanson (2004) extends the initial premise of the Fraud Triangle theory, by taking all the features from the triangle-pressure, opportunity, and rationalization-and adding one more component: capability. According to the theory, mere existence of pressure, opportunity, and rationalisation does not automatically enable fraud occurrence; in this there must exist certain element which allow the individual to be involved in fraud: capability that enables the actor to acknowledge the opportunity and convert it into fraud (Wolfe and Hermanson, 2004).

Capability is perhaps the most distinguishing characteristic to the explanation of CEO misconduct, because at this particular level, the CEO typically wields substantial authority and has a level of knowledge about accounting issues that a lower level executive just does not have (Wolfe and Hermanson, 2004). CEO may have a superior knowledge of financial reporting, controls system and managerial discretion. Such combination gives the individual greater ability to perform the act that would have not been taken place otherwise by a lower level manager. However, one should argue if capability might indeed be most the important condition. Capability merely defines how the presence of opportunity can become a reality of misconduct. A highly capable executive still needs both the will (pressure) and the justification to commit a fraud (rationalisation).

Hence the Fraud Diamond Theory could be stated as being an improvement over the Fraud Triangle model, rather than a new superior theory. Its main contribution to previous models is finding the explanation to the problem: why do the same condition as regards to pressure, opportunity and rationalization induce some individuals to commit fraud but others do not? The difference can perhaps be explained by differences in their abilities capability: although it does not give the CEO motivation or justification to commit fraud, there are few, however, who would deny the influence on CEO's tendency towards fraudulent deed from their high capability in terms of knowledge and managerial expertise (Wolfe and Hermanson, 2004). The explanation to this is certainly not as simple as concluding that those having highest capability are at greatest risk of committing CEO fraud. Overemphasising on capability could underestimate the importance of such elements as pressure, corporate culture and institution constraints.

These four elements are of crucial importance in order for one to better understand different type of CEO wrongdoing namely financial reporting fraud, corruption, misuse of corporate assets and misrepresentation. These categories although named after wrong deed should not be equated-CEO wrongdoing as it stands should be more properly linked with the corporate role of a CEO and refers to purposeful or highly unethical acts; accidental business mistake or strategic mismanagement would, due to breadth definition issues, fall outside this category of analysis, diminishing the explanatory capability of the Fraud Diamond.

According to Schnatterly et al. (2018), misconduct has three influencing components-personal, organizational, and contextual. One needs to recognize the presence of such influence for further study on Fraud Diamond to take place, since it provides no explanation for interaction between conditions on the one hand, and perception based on one's specific context; characteristics of the CEO as well as the role cognition of these same conditions in turn. Fraud Diamond should

therefore serve as a fundamental framework, and that additional theories are required for the underlying mechanisms not being sufficiently highlighted.

Agency Theory

According to Agency Theory proposed by Jensen and Meckling (1976), agency problems are prevalent in organisations, where the owner (principal) delegates the running of the business to a manager (agent) under the expectation of receiving profits on its behalf. The separation between ownership and management implies that the manager has incentives that may diverge from the interests of the shareholder. This means that "The existence of the agency problem thus sets the stage for the possibility of conflict and of opportunities being exploited if managers are sufficiently self- interested, knowledgeable, and capable". The fact that manager incentives might not align with shareholder objectives explains CEO misconduct as they have substantial latitude on how to run the firm (without shareholders closely monitoring their conduct).

As explained in Jensen and Meckling (1976), "Agency Theory suggests that managers will take actions that maximize their own utility, even if at the expense of shareholder value." CEOs may use fraudulent methods to enrich themselves, achieve prestigious career progression or simply remain in post. Information asymmetry also forms a key pillar of Agency Theory "The primary source of agency costs is therefore lack of perfect information. Managers typically have access to information about the performance of the firm that is not accessible to shareholders". Hence, monitoring becomes crucial with mechanisms such as effective and independent directors, and internal auditing being essential.

CEO power can also be enhanced if there is a significant imbalance of power over the board, particularly due to CEO duality. Although Agency Theory helps explain the existence of the necessary factors in the Fraud Diamond (opportunity and, in a way, pressure) and that a manager's individual motivation should be primarily in their own interest, it should be seen as limited because it cannot truly capture the motivations where managers do not act purely in a self-serving way.

Stewardship Theory

Stewardship Theory stands as an antagonist to Agency Theory, challenging its focus on the agent's self-interest. As proposed by Donaldson and Davis (1991), managers can operate like 'stewards' who are driven by a desire to perform well for the sake of the organisation and its shareholders. This perspective views the motivations of the manager as primarily coming from commitment, professional achievement, identification with the organisation and a need to achieve a sense of efficacy. "A Steward's ultimate motivation would be to enhance the domain entrusted to him, beyond its present capabilities, for its future rather than immediate personal gain."

This offers insight into CEO misconduct because this alternative perspective offers the reason behind non-fraudulent activity even where the three conditions of the Fraud Diamond are present. CEOs may perceive the opportunity and face the pressure as such, but still choose not to defraud in order to ensure the future welfare of the company. It adds a crucial limitation to the Fraud Diamond, in that whilst the conditions are met (pressure, opportunity and capability), the behaviour initiated does not have to be fraud as interpreted by the CEO. Stewardship Theory cannot serve as a substitute for Agency Theory since the assumption on managers acting purely out of motivation does still underestimate occasions of genuine self-enrichment at the firm's

expense. Its contribution to the paper thus is to explain why the Fraud Diamond does not invariably result in actual wrongdoing by an executive.

Upper Echelons Theory

Upper Echelons Theory was put forth by Hambrick and Mason (1984) and believes that the outcomes of an organisation to some extent depends on the characteristics of the people that run it, namely their experiences, cognitive styles, values, education and backgrounds. In the view of Upper Echelons Theory "organizational outcomes were determined by the choices and actions of executives in their environment". Such characteristics should also be regarded as a form of capacity that is to be factored into how a CEO will interpret their position of leadership and thus affect their response towards particular pressures and opportunities. "Key variables are the attributes and orientations that senior executives bring with them.

Top managers will transform resources, develop visions, formulate strategies, and select implementations in ways that are contingent upon their personal and social characteristics". So, even though similar situations will have the same pressure, opportunity, and management skill (the capability component of the Fraud Diamond may thus be interpreted not just in technical expertise, but as ability to execute the intended plan regardless of circumstances) it is how an individual interprets these differing pressures and opportunities from the same situation will cause varying levels of outcomes, i.e., fraudulent activity. Hence this aspect of the theory adds importance to the CEO's actual personality type or characteristics when considering CEO misconduct. Its strength does not derive from it forming a substitute, but from acting in combination with the Fraud Diamond.

Institutional Theory

Institutional Theory relates organisational behavior to the broader operating regulatory, professional, and social environment. Organizations compete within a wider institutional context that establishes expectations for appropriate corporate behavior, encompassing such dimensions as the rules, enforcement procedures, professions, and cultures in which firms operate and by which their actions will be assessed. The implications of Institutional Theory for CEO wrongdoing are thus that its ability to analyze the differential likelihoods or consequences of similar executive behaviors in different institutional settings enables the researcher to appreciate how strong regulation, creditable enforcement and independent judicial systems, professional accounting standards, effective capital markets, and investor protection might limit the incentives or opportunity to defraud. Likewise, poorly developed regulations and institutions may increase executive misbehavior by reducing perceived penalties and broadening the perceived discretion available for executive wrongdoing.

Institutional conditions therefore interact rather than independently provide one more dimension to the Fraud Diamond. Weakness in its institutions may increase opportunities by creating a sense that fraud risk is unlikely to materialize. Weak institutional conditions might also reinforcerationalization as individual decision makers accept negative activities when they become commonplace. Institutional conditions may furthermore reinforce the perceived pressure associated with demanding expectations. The absence of a causal relationship however should be emphasized: The theory claims that weaknesses in institutions facilitate corruption, but it does not assert that weak institutions automatically breed CEO fraud,nor are strong institutions a sufficient condition to guarantee their avoidance.

The theory is instead most applicable to understanding external factors in general that might complement the Fraud Diamond. Integration and Critical Analysis of the Theories The theories of this paper are not substitutes which are not to compete but rather they explain at different levels to CEO wrongdoing. On the most basic level, Fraud Triangle Theory addresses fundamental reasons (individual, situational and psychological) why fraud occurs (Cressey, 1953) then; on the second level, Fraud Diamond Theory expands these reasons, but focuses more closely on individual capabilities to carry out fraudulent transactions (Wolfe and Hermanson, 2004), then it follows that the issue of executives' opportunistic behavior arises as an outcome of the Separation of Ownership and Control which leads to information asymmetry between principals and agents, and therefore an incentive for corporate self-seeking behavior that Agency Theory explains (Jensen and Meckling, 1976).

This explains how and why such behavior can and will occur. However, stewardship theory acts as a contrast, by suggesting that people, CEOs themselves in this particular case, are inherently trustworthy and will choose behavior reflecting good stewardship instead of self-serving and corrupt conduct. When we discuss of a specific kind of leader, Upper Echelons theory explains how executive and CEO qualities influence the manner in which the executive views and responds to their environment (Hambrick and Mason, 1984) thus it adds to the previous theoretical framework that an individual's background could also be involved in the executive decision-making process while Institutional Theory relates executive conduct and performance to its broader regulatory, professional, institutional and social surroundings. This holistic approach is an important factor that seems to be omitted by a strict reliance on an explanation of individual motivations and capabilities such as the one stipulated in Fraud Diamond Theory.

To merely state that pressure, opportunity, rationalisation and capabilities are present to give rise to fraud isn't sufficient without examining the way in which individual (CEO characteristics, psychological and moral traits) as well as organizational (governance, culture) and environmental (institution) influences effect the behavior. Pressure could indeed lead to committing fraud, but good Stewardship could deter from that very same pressure; there might be room to exploit opportunity but stringent regulations would make the risk of being caught and punished more likely to occur. Hence an individual may be capable enough to commit fraud but a well-equipped Board of Directors (strong agency relationship) is able to constrain the CEO's ability to do so. Hence, one can simply adopt Fraude Diamond Theory in this case not as a superior explanation compared to other theories in terms of the extent they describe what an executive might be or is trying to do, but as providing the best guideline/starting point to look for those specific elements while using the insights from the other theories to form a more holistic, realistic and comprehensive interpretation of fraud-committed by the CEO.

The fact does not state that any other dimension than capabilities is unimportant but rather only that this dimension specifically addresses the question of why and how readily an individual will turn the other dimensions into active transactions or crimes rather than anything else.

Theoretical Position of the Paper

The researcher argues that CEO wrongdoing can be viewed as a multilevel and a conditional phenomenon, instead of an outcome that one must inevitable face due to their having a poor moral compass. Fraud Diamond Theory provides the framework for the assessment; due to its explanation for motive, opportunity, rationalization and capability (Wolfe and Hermanson, 2004), while noting that this is an incomplete explanation because there are other factors that shape each

aspect of this model. Namely, Agency theory will illustrate why there are incentives for managers to commit opportunistic self-interested acts (Jensen and Meckling, 1976).

This suggests a contrast to the positive altruistic behavior demonstrated through Stewardship Theory; demonstrating that people (CEOs in this instance) will act morally under good stewardship (Donaldson and Davis, 1991). Under Upper Echelon's theory, the CEO's personal characteristics, life experience and personal cognitive perspective will cause the CEO to respond to stimuli in a way that may support or deter against a certain behavior(Hambrick and Mason, 1984), finally, under Institutional theory, it is stated that various rules may encourage or discourage certain corporate behavior (institutional Theory). Considering this framework, the researcher will not claim that the existence of pressure, opportunity, rationalization and individual capabilities would necessitate criminal activity, but instead, will explain why they are all a necessary condition if that is where they do occur. Hence, CEO fraud and wrongdoing would be an event where all the specific and relevant elements from each aspect of the relevant theories interact.

This framework would thus account for a more adequate understanding of Fraud Diamond theory. The result of applying these multiple theories is that the researcher will move past defining fraud by mere existence of its four factors, to rather demonstrating that all four dimensions are in action and they are interconnected; from agency to Stewardship, from Upper Echelons to Institutional. CEO wrongdoing is characterized as a multileveled and conditional process not simply an outcome of an unethical heart and it would therefore not only focus on how each particular theory is beneficial in helping to assess its own part in CEO wrongdoing, but also to what extend these theories as a combination provide complementary insights that give cause to CEO crime(fraud).

5.0 Conclusion

This conceptual study explored CEO wrongdoing within the context of the Fraud Diamond Theory and framed within a wider explanation of executive misconduct from the perspective of agency theory, stewardship theory, upper echelons theory and institutional theory. This work does not consider all manifestations of corporate misconduct to be equivalent to CEO wrongdoing. Instead, CEO wrongdoing has been conceptualised as a deliberate act of misconduct or gross irresponsibility which is directly linked to the chief executive role, responsibility and/or decision making capacity and authority in an organizational context.

In so doing, the paper provides a conceptualisation which accounts for instances of CEO wrongdoing involving manipulation of financial information, corruption, misallocation and misuse of corporate resources, regulatory violation, executive overreach, insider trading and the misleading of corporate stakeholders including on the issue of environmental, social and governance (ESG) reporting as distinct from other types of misconduct. These are all unique in their own right, victims and the mechanisms, processes and regulatory outcomes associated with them can vary significantly.

The conceptual analysis thus reveals that the primary interest in CEO wrongdoing concerns the concentration of decision-making power within an executive capacity, as compared to employee misconduct. The capacity of the CEO for a higher level of impact on strategy and systems means that he/she is of more significant concern to both managers and other stakeholders. This, in turn, may present CEO misconduct as a governance issue rather than exclusively a behavioral problem. It is not the intention of this paper to argue the simplistic conclusion that in and of themselves the

power inherent in aCEO position is inherently responsible for the predisposition towards, or occurrence of misconduct. Rather, in many regards, the authority possessed by the chief executive is intrinsic to the performance of his/her leadership duties, however, it may be both a contributor to and, in many instances a solution for individual misconduct and the promotion of the very highest ethical standards and accountability for performance within an organization.

The Fraud Diamond Theory offers an advantageous theoretical framework to position four critical interrelated factors: pressure; opportunity; rationalization; and capability. Pressure implies the incentives and performance expectations that will push an individual towards misrepresentation; opportunity refers to weakness in the internal systems controls of a business or external regulation and oversight ; rationalization signifies the rationalizations individuals use in convincing themselves that the business misconduct was justified, and capability means the combination of individual talent, expertise and the position of the perpetrator in relation to the organization needed to succeed in the misrepresentation and perhaps to prevent their being caught; thus (Wolfe & Hermanson, 2004). The framework's strength lay in linking together individual motivation with organizational dynamics and authority as oppose to providing a checklist of four individual drivers.

However, the study provides no justification for ranking capability as more important than any of pressure, opportunity or rationalization. Whilst the authority and organizational knowledge of CEOs over those at lower ranks suggests that they may be particularly enabled to engage in misconduct through capability, this does not necessarily mean that their role represents a prime motivator or that they are more inherently driven towards misconduct than any other individual whose capabilities permit them to succeed (Wolfe & Hermanson, 2004). A capable executive for example, may never commit fraud if there is little incentive pressure to do so, controls and governance structures are strong and individuals there is no room forrationalizations.

Moreover it could also be true, that in cases where pressure exists to commit fraud for personal gain or to save an organization the position and capability of the CEO, the organization being a very large one, is a major factor. Therefore capability should be treated as a facilitating or converting phenomenon rather than the dominant influence on whether misconduct takes place.

Furthermore, to consider that the Fraud Diamond Theory accounts for the entirety of CEO wrong-doing is a notion the paper refutes. The four components explain the triggers to committing fraud, however, they omit the influences of external organizations, cognition and societal institutions in the executive behavioral framework. Agency Theory draws attention to a conflict in incentives between owner and chief executive officers and highlights opportunity for executive discretion (Jensen & Meckling, 1976).

Stewardship theory challenges this self-interested perspective by proposing that executives can behave altruistically with respect to the organization and its shareholders (Donaldson & Davis, 1991).

Upper Echelons Theory highlights the impact on strategic decision making from the individual differences of executives and how interpretation occurs within cognition (Hambrick & Mason, 1984). Institutional Theory expands this further by focusing on the influence of the external environment such as regulation, societal and professional norms or external enforcement to place constraints on individual behavior.

These different sources provide important additional insight into the ways which CEO misconduct can be triggered outside of the context of fraud-based motivators. Specifically, the role of organizational culture, the impacts of institutional failure and the role of cognitive biases may play a significant part in how CEOs' are driven to commit acts of misconduct that may not necessarily be directly triggered by the four factors within the Fraud Diamond Theory. For example, an organizations culture that values performance regardless of the costs can lead employees to become complicit in unethical conduct even in the absence of an apparent external pressure to do so. Behavior biases by contrast may influence the executive's judgment of the risks and consequences associated with their actions and failure within the institutions could lead to prohibited activity becoming attractive to, and easy for, those at an executive level to commit without detection. Thus, the concept of CEO misconduct can not be solely accounted for through individual motivations and the application of the four F.D elements.

There is thus an identified gap in the literature regarding the specification of a theory applicable solely to the leadership phenomenon of CEO misconduct. The fraud literature offers valuable insights into the reasons for fraudulent behavior more broadly. Nevertheless, CEO wrong doing includes its own distinctive qualities that comprise CEO authority, embeddedness in organizations, information asymmetries, and the distinct role of executive governance responsibility in the company. Frameworks are available to illuminate this process, however, none completely articulate how these characteristics intersect at the highest level of decision-making. Hence the need to differentiate between CEO wrong-doing driven by personal enrichment, that committed with the goal of protecting organizational performance, that resulting from organizational dysfunctions, and that facilitate by institutional or external control breakdowns.

A focus on CEO misconduct as a singular entity would mean that the similarities and differences between these various types could potentially be obscured. Increasingly, the competitive environment and technological environment are expanding the possibilities for and the complexity of executive misconduct and concealment strategies, meaning that an awareness of these differences now becomes ever more important for understanding modern day corporate crime. Therefore, what is crucial is not to discount the Fraud Diamond from an explanation of executive misconduct but to place it within the context of its organizational setting.

Consequently, no conclusion has been made that the interplay of these four elements necessitates the occurrence of CEO misconduct. It is understood that a purely 'if all four present then it follows' explanation will lead beyond that which may be causally inferred solely by a conceptual overview. Rather what the analysis offers is a theoretical proposition that the presence of these four components increase the likelihood that CEO misconduct may occur, with the actual influence of the relationship also dependent on organizational governance, culture and individual executive characteristics; (Wolfe & Hermanson, 2004). These distinctions are of considerable importance; conceptualization should never be mistaken for evidential proof of relationship.

The main contribution of this study therefore does not come from rehashing the Fraud Diamond Theory's main components but from offering a comprehensive understanding that CEO wrong-doing constitutes a governance issue driven by executive and external influences interacting at a multiple level on an organization. It argues that through incorporating Agency Theory, Stewardship Theory, Upper Echelons Theory and Institutional theory alongside the Fraud Diamond we develop a broader understanding. This provides a more cautiously argued

theoretical framework for analyzing how the misconduct of the most senior leaders in a business occurs than reliance on any single aspect alone.

5.0 Recommendations

On the basis of the conceptual analysis presented, the following recommendations are set forth. The underlying motivation behind these recommendations is not simply the eradication of the four Fraud Diamond components, but the remediation of the overall governance, behavioural and institutional environment from which CEO fraud may rise.

i. Establish independent scrutiny of executive decisions by boards: Organisations must retain boards with appropriate independence, capacity and access to information to critically review executive decisions. Independence is measured not only by the number of nominally independent directors on the board but also by their courage and conviction to question the Chief Executive when their decisions are deemed inappropriate. Special attention should be paid to executive compensation, related-party transactions, strategic choices, risk profiles, financial reports and material corporate disclosures. This response targets the governance condition by allowing the power of the Chief Executive to remain under relevant supervision.

ii. Build internal controls but avoid the assumption of their prophylactic power against corporate fraud by the Chief Executive: Controls should be developed to mitigate opportunities for concealment, manipulations and waste. Given that Chief Executives may at times override regular controls, it is essential that controls capable of targeting management override are in place. Internal audit functions must have sufficient independence, resources and direct access to the audit committee. Controls should support meaningful oversight and scrutiny of Chief Executives, not merely burdening lower level staff with more restrictive controls.

iii. Align executive remuneration to inhibit perverse incentives for misperformance: Boards should review their incentive structures to identify unintended motivations to place excessive emphasis on performance-related aspects. Compensation related to performance is not problematic, as the rewards can align Chief Executives interests with those of the organisation, it is the emphasis that needs a review. The present system often lays undue emphasis on short-term shareholder values and short term earnings. When long-term value creation, management of risk, stakeholder management or performance evaluation factors such as overall organisational health and ethics come into picture more strongly executive decisions are likely to improve and not jeopardise long-term value creation.

iv. Ensure independent whistleblowing mechanisms: Every organisation should ensure a channel for its employees to provide information regarding executive wrongdoing in confidence and without risk. The existence of these mechanisms in itself is not a deterrent, if its recipients are unaware, unqualified or lack power to take appropriate action and when there is a concern about retribution. Employees who perceive the executive to be immune to any retribution might not utilize the mechanisms available for reporting the wrongdoing; therefore, the mechanism should have sufficient scope so that when concerns are raised regarding executive leadership, the issue has the possibility to be escalated directly to the audit committee of the Board, or any similar competent authority.

v. Treat ethical culture as a mechanism of governance and not just symbolic attribute: Leaders (both from board and executive) should establish a corporate culture where the way performance is delivered by the company in addition to how well the job gets done has importance. Similarly employee performance appraisal, training, remuneration, promotion and even recruitment should be considered and valued on ethical merits. Cultures that reward success irrespective of its origin have tendencies to support rationalisation. It must be supported by actual decisions and enforcement actions, and not just abstract codes of conduct.

vi. Acknowledge the behavioural and psychological component of the Chief Executive's judgment: It is incorrect to assume that executives are completely rational in their judgments as many internal and external pressures such as cognitive styles (overconfidence, entitlement, illusion of control etc.) contribute to wrong choices. The Board should actively stimulate constructive confrontation, independent advice and critical assessment and validation of major corporate decisions. This is beyond external incentives and control as it addresses how behavioral and psychological predisposition to execute wrongdoing affects an executive's choice of action.

vii. Tailor regulatory monitoring to the present forms of the Chief Executive's wrongdoing: Regulators have an important role to play, primarily by focusing vigilance and efforts in those sectors where the ability and discretion of the Chief Executive to act independently of the others in order and in the absence of independent evidence, is high, such as financial reporting, related-party transactions, disclosure requirements, executive remuneration, market disclosures, and environmental, social and governance assertions. In view of increasingly complex activities which are the product of technology,regulatory mechanisms also need to evolve. These measures not only impact perceptions on the probabilities of detected fraud and its consequences, influencing executive risk-taking, but also change perceptions of enforcement, a key part of executive rationality.

viii. Ensure empowerment rather than restrictions on the Chief Executive: An optimal system must aim to empower rather than restrict the Chief Executive, as strong leadership requires independent and autonomous managerial capacity in decision taking; the danger is when such power becomes over or unchecked. This empowers Chief Executives to make decisions in the best interests of the organisation without having to consider threats and retribution for reasonable actions. Henceforth, they are given appropriate space by separation of duties, by adequate internal controls and clear escalation paths etc. If the dual structure of board chairmanship and Chief Executive presence is mandated then added safeguard should be built into the governance model (Krause et al., 2014).

ix. Include ethical, social and environmental accountability with financial governance: CEOs wrongdoing has extended beyond the typical definition of financial fraud; therefore governance structures must consider the behavioral component by scrutinizing environmental, social and governance (ESG) communications. Material disclosures for any non-financial aspects must be backed by sufficient and verifiable evidence. Even more importantly, this must extend to ESG representations and positive sustainability narratives should not allow the masking of negative performances. This is not to declare any instance of ESG failure as fraud, but to

acknowledge deliberate deception by the Chief Executive regarding ESG performance as a cause for accountability.

x. Test empirically the theoretical propositions, instead of accepting theoretical consensus as a fact: In order to further examine the influence of and interaction between pressure, opportunity, rationalisation and capabilities in relation to executive fraud, the present findings need to be validated empirically. Likewise, the influence of organizational culture, regulatory enforcement quality and strength, behavioral factors, leader style and technological complexity as moderators or mediators to this relationship needs further empirical examination. Longitudinal and cross-organizational research studies investigating the significance of various Fraud Diamond dimension depending on the varying national contexts, the nature of firms and the relevant regulatory frameworks would be beneficial, testing the presented theories instead of an assumption of causality through theoretically proven correlations.

In conclusion, preventing fraud conducted by a Chief Executive requires more than simple implementation of stringent control measures or placing undue emphasis upon the role and ethical responsibility of each individual; it entails setting up structures where unlimited power of an individual is constrained and balanced, inappropriate incentives are suppressed, right conduct encouraged, detection mechanisms are independent and accountability is enforceable. Therefore, the Fraud Diamond is considered a significant framework but not an exclusive determinant of why frauds by Chief Executives occur.

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